JPRS-LAM-86-001

2 JANUARY 1986

Latin America Report

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JPRS-LAM-86-001

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CHILEAN FOREIGN MINISTER ON TALKS WITH PERU

PY292058 Santiago LA TERCERA DE LA HORA (Sunday Supplement SEGUNDO CUERPO) in Spanish 17 Nov 85 pp 2-3

[Interview with Chilean Foreign Minister Jaime del Valle; date and place not given]

[Excerpts] Question: One week after your negotiations with Peru what is your impression of the results?

[Del Valle] I'd have to say that initially I was optimistic about this contact. This optimism arose from the initial position of both governments, as well as that of President Pinochet, who from the moment that President Alan Garcia became president of Peru started, as they say, a dialogue with the special envoys Garcia sent to Chile. And also the position of the Peruvian president himself, who had shown through those special ambassadors and also in his conversation with me in Lima the political will to achieve a real rapprochement between the two countries and to solve the outstanding problems, and a willingness to face the future with imagination.

Obviously, this gave me considerable optimism at the start, for when the governments have the political desire, it becomes easier to resolve the concrete issues.

And when we began direct contacts and began a deeper analysis of the problems--which, of course, had constantly been under study at the Foreign Ministry, but now with a view to a quicker solution--my optimism remained and even stayed intact, thanks to the more frequent contacts with Peruvian Foreign Minister Wagner, with whom I found I could talk freely.

Question: Why did you feel that he was a credible partner?

[Del Valle] I would say that he is very frank, very sincere, and open.

Question: Is that why you called him "dear friend" the day that the joint statement was issued at the end of the talks in Arica? Did you say this from the bottom of your heart?

[Del Valle] I feel that way because we had several opportunities to get together, such as at Arica, where we were together many hours. This is sufficient to take the measure of a man, and I would say that the qualities that I mentioned are evident in him.

We both sized each other up very quickly, for in those talks there was no room for tactics nor for outmaneuvering each other, or to win a point here or pull a surprise there.

The dialogue had to be very frank and intense, and we were able to get a positive result from it. I have only praise for him.

Question: How do you explain how two governments so politically different as Chile and Peru can carry on such a thorough dialogue as they are now doing?

[Del Valle] I am convinced that the ideology that a government may have is not an absolute impediment to talks at any level, be it diplomatic, political, economic, trade, cultural, or what have you.

What greater disparities could there be than between us and China? And yet the cordiality and consideration that the Chinese governments have shown toward us is very great, and the advances that we have made in our talks and relations are stupendous.

In the case of Peru, we have also shown that this is true. We have done this with many countries with whom we have no significant political ties, and we have made a lot of progress with them.

In today's world, I have to think that there are more important things than a government's ideological preference, for that can change while other, more substantial and durable things remain.

Surely our relationship with Spain will last for centuries, for there has always been great affection between us. So how can we think for even a second that because there is a disparity in the thinking of the two governments that we could drift apart?

Question: In fact, there are some sectors that think like that....

[Del Valle] To the contrary, we both believe in democracy. Spain has returned to democracy after a long period of authoritarian government. And Chile's Constitution and government say that it will definitely return to full democracy in 1989 and that this is a transition period.

Question: You have talked of the social imperative for Chile today to improve the conditions of those living in extreme poverty. What is the importance of your diplomatic negotiations with Peru for Chileans who need help to improve their conditions?

[Del Valle] The development and progress of a country depends considerably on adequate solutions to its internal problems. But nothing is gained if, while these problems are being gradually worked out, the country at the same time has external problems, particularly with its important neighbors.

Of course, the contacts that a country has with its neighbors, their greater or lesser integration comprise a part of its development, and such integration will be trivial or nonexistent if there does not happen to be real understanding and peace.

So, the task of the Foreign Ministry is precisely to seek harmony with its neighbors and with all countries of the world through every means at its disposal, while keeping its fundamental principles.

Question: Is this the fundamental mission that you are heading?

[Del Valle] I have particularly taken upon myself the search for harmony, first and foremost with our neighboring countries. That is why this government began its task with Argentina, which has culminated. I have said repeatedly that this work is carried out by a team guided by the sure hand of President Pinochet.

And with Peru it is the same story; it is due to his direction and his political will, and there is a working team backing him up. I am again at the head of this team; and I am putting into it the same enthusiasm, the same faith, and the same optimism that I have from my first day at the ministry, as in the talks with Argentina.

I always said that I was optimistic about Argentina because I had great faith; and I said it in this case, too. Hardly had I entered the ministry and familiarized myself with the background of our relations with Peru than I felt absolute faith that we had to overcome this problem, and that's what we are on the way to doing.

Question: If you reach a good conclusion with Peru, and now that you have the peace agreement with Argentina, would you feel that you have a clear road ahead in your international tasks?

[Del Valle] It could be clear in respect to these two important problems. But when one task is finished, there are always others. A minister always has endless work, for the progress of mankind, of society, never stops. I believe that the day that a minister feels that he has completed his mission is the day that he fails, for his job does not end until he leaves office or he dies.

/6091
CSO: 3348/243

ERRATUM: This article republished
from JPRS-LAM-85-101 of 9 December 1985
to place it under its proper country
category.

ARGENTINA

HERALD PUBLISHES CRESPO REPORT ON FALKLANDS WAR

PY172022 Buenos Aires BUENOS AIRES HERALD in English 17 Nov 85 pp 14-15

[Acronyms are listed in a box within the body of the item; first paragraph is source-supplied introduction printed in italics]

[Text] Acronyms

FAS: Air Force South
COATLANSUR: South Atlantic Command
UND: Units
Cte. TOS: Commander of Theatre of Operations South
CRV: Comodoro Rivedavia
CEOPECON: Strategic Command for Joint Operations
EM: Joint Chiefs of Staff
EOMM: Joint Chiefs (of the three forces)
FAA: Argentine Air Force
ADN: Training
SSMA TRINIDAD: Santisima Trinidad
MN: Minutes
KC: Maintenance of airborne aircraft
SAE: Strategic Air Command
FA: Air Force
BA: Bahia (Agradatle)
ROF: Tracking down of forces
ARA: Argentine Navy
TO: Theatre of Operations

Many of the basic themes involved in the "top secret" proceedings of the trial of the senior officers responsible for the performance of the Armed Forces in the Malvinas war were discussed in the unusually outspoken "Crespo Report" which the HERALD is now publishing in full. The report, which was obtained by CLARIN journalist Ernesto Jackson and of which extracts and summaries have already appeared, was drawn up by Brigadier Ernesto Crespo in the months following the conclusion of the war. Brigadier Crespo played a prominent role in the war and is now the chief of staff of the Air Force. When summaries of the report first appeared he declined to admit responsibility for it.

FUERZA AEREA ARGENTINA

MEMORANDUM

TO:

FAA chief of staff

FROM

Commander Air Force South.

Buenos Aires, July 1, 1982

Experiences Drawn From Air Force South Operation in the Malvinas Conflict

Doctrine

1) JOINT PLANNING, DIFFERENCES, CONSEQUENT PROBLEMS

AT FAS Command level there was no joint planning, as owing to the circumstances of its formation, it is a specific and thus independent command.

There was, however, coordination with COATLANSUR and TOS which was carried out with certain disadvantages owing to the following reasons.

a) COATLANSUR Plan 1/82. This Plan was not coordinated with FAS and was received after endorsement by the air unit assigned to it. It was plagued with serious doctrinal defects which encroached upon the responsibilities of the Air Force and also caused important operational mishaps, mainly affecting reconnaissance and verification of our own air and naval units, further complicating radio link-ups which were not fluid and were hardly adequate for aeronautical use, and which also displayed a significant interference with and lack of knowledge of measures which had already been taken and put into effect by the FAS Command. Because of this and inconveniences which arose as a result of the changing of the Code which was already in use, with the knowledge of the Air Units, the FAS did not accept it (Plan 1/82), coordinating instead certain parts of the plan related exclusively to communications, which resulted in temporary compatibility, rather than the logical confusion which could have been expected. Operational doctrine including naval air responsibilities such as direct air support for land units, search and rescue, scouting and reconnaissance, etc., were not touched upon.

b) Hierarchy. The difference of rank between the Commander of Air Force South and COATLANSUR/COMMANDER of the Southern Theatre did not make for an ideal situation which would have allowed for equal treatment. There was a difference, which caused logical demands to be transformed into requests firmly put forth--but from the inevitable distance due to rank.

a) Distance between commands. Although owing to the difficulties which arose COATLANSUR was installed at CRV and later, as operations began, the CEOPECON was formed, in reality the chief of staff of COATLANSUR continued to operate out of Puerto Belgrano, which did not make for fluent relations between the two chiefs of staff (Navy and Air Force). It was not the same case with TOS because of the proximity of the two commands and the interchange of Liaison Officers, with a constant flow of information and consultation between the two. All these organic changes are manifest evidence of serious doctrinal defects, as doctrine was not respected and responsibilities were assigned to Commands in no position to carry them out. All this occurred during the course of the war.

b) Liaison Officers. The Navy had a rear admiral, a Navy captain, three captains, one ensign and two non-commissioned officers. It soon became evident that the work of this liaison group, in which there was no one from the staff, which was most necessary, was really to collect information which was later officially used by its air and diffusion services, in the latter case distorting or using FAA data to its own advantage.

The Army had a lieutenant colonel whose lack of information and data--he did not even belong to the 5th Army Corps--was disconcerting. His information only became comprehensible when it was found to coincide with data from an Air Force major who was the liaison with TOS, which meant that it only reflected the situation as seen by that Command.

2) JOINT OPERATIONS, COORDINATION, FAILURES, OTHER PROBLEMS

3. Joint operations were only carried out with the Navy before real operations began. ADN exercises were carried out with the fleet, of which only one, that with the destroyer SSMA TRINIDAD, was successful, as the rest suffered from confusion arising from false positions or evasive manoeuvres which were not a part of previous training. Furthermore, in exercises with SSMA TRINIDAD, aircraft were detected flying low only seven minutes from the vessel. When consulted, the "liaison officers" said that this was due to electronic failure on the destroyer and with a great profusion of diagrams they "proved" that the ship was "invulnerable" to air attacks. When this was made known to the pilots it produced a kind of psychosis which could only be eradicated when it was found that in actual fact these ships could detect aircraft at an even shorter distance away.

4. As the English were landing at San Carlos, the Liaison Officers said that no one in his right mind would launch an attack at that site which meant that the landing could only be a secondary attack or a diversion. This delayed our reaction until the number of ships involved made the situation self evident, proving their assessment to be wrong.

5. Many times naval air scouts "detected" or "confirmed" the presence of enemy warships which led to missions which found nothing in any such position, not even within the radius in which the ship could feasibly have moved to.

6. Furthermore, when scouting missions of any type were required the aircraft either were not ready for duty or did not carry out the mission at the required time.

7. One habitual trick consisted of promising a mission to clear the way for transport aircraft, which confidently became airborne. When a plane managed to get through, they would send up their transport planes which followed the same route unknowingly "scouted" by our aircraft.

8. Refuelling requests, especially for the Super-Entendards, had to be suspended or postponed for many hours. However, on one occasion, when refuelling was not possible as the KC was out of action, a message was sent saying the operation had been suspended "because the Air Force failed to provide refuelling."

9. When, according to the CAE plan and once the Exocets had run out, the Super Etendards were asked to fly as scouts, the reply was that "they are not available."

10. As a result of all the above, the Air Force was forced to mount its own reconnaissance network with the inadequate means at its disposal, in order to obtain reliable and accurate information.

3) AIR OPERATIONS IN SUPPORT OF OTHER FORCES

11. Owing to the short time the surface forces were in contact, few support operations were carried out. Among them were:

a) An attack on the beachhead at Puerto Argentino. This, because of its effectiveness, was one of the outstanding events of the war.

b) Bombing of troops. This was carried out several times on area targets. Owing to the characteristics (of these attacks) it is difficult to assess the degree of effectiveness achieved. These attacks were carried out at the request of Puerto Argentino.

c) ROF over areas where troops were presumed to be concentrated. Several kinds of targets were spotted (vehicles, a small amount of troops, helicopters, command and communications posts, etc.). As in point b) the results of these attacks are difficult to evaluate; this will probably not be possible until the British themselves make their own assessment.

CONCLUSIONS

12. The action of the three armed forces leads us to the conclusion that there are three forces totally different in their conception and strategy as regards joint action.

I

13. The army structure is built on theory as regards the use of the means at their disposal, regardless of how modern these may be in practice. The Malvinas conflict was manifest evidence of the tactics of static and mass concentration of troops, absolutely devoid of mobility, even within its own lines, delegating all responsibility for what happened outside the army's "fortresses" to the air force's support. The internal political situation of the country to which the army usually dedicated all efforts, had left its operational training in disarray, which led to the following:

1. Low fighting capacity of its officers, who were too prone to special comforts and reticent about facing risks in combat zones.

2. Lack of communication and unity between officer corps and troops which in decisive moments left the latter to their own devices with the logical and foreseeable results that ensued.

3. Lack of training in the Malvinas theatre (2/3 shooting lessons and no land combat training).

4. Absolute deficiency as regards logistic land support which led to exhaustion, a loss of combat-readiness in advanced units owing to malnutrition, a shortage of ammunition at decisive moments, a complete lack of communications, etc.

5. The characteristics of the terrain were not adequately taken advantage of, which meant that important hills were left undefended while others were inadequately and insufficiently manned.

6. A lack of knowledge on the tactical use of the most sophisticated elements (helicopters, missiles, artillery, communications, armoured vehicles, etc.) which led to the loss of these in unnecessary circumstances (helicopters), deficient use of others (artillery and missiles), and no use at all of some that were very important (armoured vehicles).

7. Favourable tactical situations were not made use of due to the absolute lack of tactical operational mobility of officer corps and troops (Bahia agradable).

8. Low combat morale in regular troops.

9. Lack of knowledge of air support, its advantages and limitations, which led to request for support on targets situated 60 to 70 kilometres from the front lines (interdiction) requests that were totally disproportionate to the size of the target; requests for air support on targets which could have been destroyed by a small detachment of the army's artillery; encroachment on air force responsibilities, (interdiction) with the selection of targets outside the needs of the army, etc.

II

14. The navy, for its part, was dedicated to fighting within the internal national political situation and to preserving its resources. Its efforts were minimal in the Malvinas conflict. The only surface unit lost was lost in confusing circumstances, in which the oldest unit of the fleet was risked, without protection, in an adventure which had already been abandoned at the time of its sinking. The only other combat unit lost was the submarine. Santa Fe, which was taken at a port in daylight, in other words in the most unfavourable conditions for the use of a submarine. No provision for its protection had been taken.

15. The subsequent withdrawal of the fleet which moved outside the boundaries imposed by the enemy, skirting the coasts until seeking safety in the ports-- which it did not leave until after the end of the conflict--was an operational move which was widely commented on by the international media. At first this was an intriguing move but it later led to the stupefaction of a people accustomed to (the navy's) portrayal of itself as a defender of national sovereignty.

16. This event was a repetition of another one with similar connotations, in 1978, which sheds doubt on its real intentions or its professional capacity to defend the nation.

17. The stubborn refusal to take part in any joint operation, opting for the non-use of its most sophisticated aircraft and the use of the rest in unimportant operations rather than using the former, even for a single operation, under the operational control of the air force, manifestly points to a lack of vocation for joint action.

18. The use of the media, with farfetched data, the distortion of news, the touching up of news, belittling the achievements of other forces, etc., with the sole objective of obtaining preeminence and/or national subsistence without analyzing the consequences, is another example of (the navy's) lack of vocation for joint efforts.

19. The inaccuracy of the little data provided by its intelligence strengthens doubts about its professional capacity; considering the non-use of its own means to knock out targets which it had discovered itself, one doubts the veracity of its information.

20. All the above becomes especially important in view of the fact that what became the Malvinas conflict was a result of the planning and encourage ment of the navy, which had no definite war plan. The navy had neither the capacity nor the will to assume its responsibilities in its own theatre, as its own statements referring to the fact that the navy considered itself overwhelmed by circumstances have shown.

III

21. The air force put its greatest efforts into a type of conflict for which it was in a way not responsible and for which it was not adequately prepared either materially or in training. There was also the fact that the ARA had said it should not intervene because the South Atlantic Command had sufficient means to face any eventuality.

22. The inability of this force to carry out joint action made all its efforts sterile and all the heavy material and human losses produced by its actions were to no avail.

IV

23. The organic structure adopted, by which Malvinas was autonomously controlled, with a complicated organ such as COATLANSUR, is an indication of serious errors of leadership and aptitude for joint action by the Armed Forces. In actual fact, the islands by necessity were defended by the FAS, which also maintained and supplied them.

RESUME OF CONCLUSIONS

1) There was no joint planning in the Malvinas conflict nor any will for it despite the efforts of the Air Force.

2) The Army is not capable, in its operational tactics, training of personnel or leadership, to engage in warfare.

3) The Navy has no vocation for fighting and is unreliable in logistics and joint action and will only face operations which are directly linked to its own interests.

4) The Air Force, despite its achievements, is not prepared to operate in all kinds of theatres. It is inadequately equipped and its capacity for deciding the outcome of a surface conflict is nil.

5) There is no vocation for joint operations in the Army and Navy. There is, however, in the Air Force, because it is aware of its limitations.

SUGGESTIONS

1) The responsibilities of each force should be clearly defined:

a) Everything that operates on land is the responsibility of the Army.

b) Everything that operates on the surface of the sea or under it, is the responsibility of the Navy.

c) Everything that operates in the air, from both surfaces, should be the responsibility of the Air Force, which has been amply proven by the Malvinas Conflict and has not been not disputed by the other forces.

2) In view of the above, intensive and permanent joint training on planning and [word indistinct] should be established.

3) A war college for all three forces (should be established).

4) Joint planning at all levels with an integrated Command, Control and Training organ for commanders of a joint Theatre of Operations.

24. Unless the above is achieved, the Armed Forces should be unified, in a single corps, by means of a plan to be carried out in stages. Brigadier Ernesto Horacio Crespo commander, Air Force South.

/8309
CSO: 3300/61

LOWERED IMPORTS RAISING BALANCE OF PAYMENTS FOR 1985

Santiago EL MERCURIO in Spanish 5 Nov 85 p A-3

[Text] The Central Bank recently announced that there was a surplus of $542 million in the trade balance in the first 9 months of the year. This favorable balance corresponds to the difference between exports during the period, $2,739,000,000, and imports, $2,197,000,000.

This surplus represents a considerable improvement compared to the same period last year when it was only $296 million. Nevertheless, it is lower than the initial projection by economic authorities of a surplus of more than $900 million in 1985.

As to availability of foreign resources, the surplus in the trade balance can be added to foreign currency from loans or similar operations. Therefore, it has great significance for the rate of growth of the national product. As is known, if the domestic production of goods and services is to be increased, it is good to have the necessary resources, including foreign resources. Otherwise, the attempted reactivation would soon have to be set aside to avoid a foreign currency crisis.

The Central Bank points out that the increase in the trade surplus is due basically to the 13.5-percent drop in imports. An analysis of the figures presented also shows a change in make-up. Capital goods increased 4.8 percent while consumer goods and intermediate goods decreased 34.1 percent and 9.4 percent, respectively.

Exports, meanwhile, were about $100 million lower than those in the same period in 1984. The bank's report indicates that the reason for this drop is the deterioration of international prices: 16.2 percent for exports other than copper and 1.8 percent for copper.

The need to have increasing surpluses in the trade balance is based on the pronounced drop in loans from international banks beginning in 1982. Since then, it has been necessary to stress measures that encourage a productive structure oriented basically toward the generation of goods that can be exported or effectively replace imports. In order to be successful, this strategy--common to all developing countries--has to rely on the developed world's collaboration by purchasing more exports. Unfortunately, the growth of the developed countries has not gone as planned and has even been accompanied by unfavorable trade balances. This has meant major cuts in trade terms and, therefore, a discouraging scenario for exports.

The internal adjustment that has been made controlled public expenditures and the rate of inflation, both measures necessary to increase savings and investment and put the country in a better position to grow and pay the foreign debt. As the minister of finance has stated repeatedly, the coming years must be years of austerity. This can be improved only if the industrialized countries experience larger increases in their growth rates and, therefore, improve trade terms.

7717
CSO: 3348/172

CENTRAL BANK REPORTS ON TRADE BALANCE GROWTH

Santiago EL MERCURIO in Spanish 30 Oct 85 pp A-1, A-12

[Text] The trade balance recorded a surplus of $542.3 million between January and September 1985, 82.7 percent higher than the favorable balance obtained in the first 9 months of 1984--$296.8 million.

This was announced in a report presented by Central Bank's Management of Studies.

The surplus corresponds to the difference between exports in the period which totaled $2,739,700,000 and imports which reached a total of $2,197,400,000 (both FOB).

The bank attributes the increase in the trade surplus basically to a 13.5 percent drop in imports and a policy to encourage exports which has made it possible to keep the level of exports relatively constant despite the drop in international prices for our main exports.

It indicated that the figures as of August show that the price for copper exports this year has averaged 1.8 percent less than in the same period in 1984. At the same time, the prices for our main exports other than copper have gone down 16.2 percent while the volume exported increased 12.8 percent.

It stated that if total exports as of September are compared with those made in the same period last year--$2,836,900,000--it can be seen that mining exports decreased 3.5 percent and industrial exports went down 9.7 percent. Meanwhile, agricultural, livestock and sea exports increased 11.9 percent.

A similar analysis of imports shows that imports of consumer goods went down 34.1 percent and those of intermediate goods 9.4 percent. Imports of capital goods increased 4.8 percent.

The report shows that the price of copper went down again in real terms in the month of September, recording an average of 3.3 percent lower than the previous month, a decrease that has a direct effect on the value of our exports.

Itemized Exports

Total mining exports between January and September of this year reached $1,439,300,000 compared to exports of $1,491,200,000 recorded in the same period in 1984.

Of that amount, copper exports between January and September 1985 totaled $1,197,800,000. In the same period in 1984, these exports totaled $1,220,100,000.

Exports of agricultural, livestock and sea products rose to $314.4 million. Between January and September 1984, they totaled $284.9 million.

Industrial exports reached $859.1 million compared to $951.3 million exported in the first 9 months of last year.

Itemized Imports

Accumulated imports of consumer goods as of September 1985 (CIF value) reached $519.7 million of which $191.7 million corresponded to foods.

In the same period in 1984, imports of consumer goods reached $788.3 million of which $392.7 million corresponded to foods.

Imports of intermediate goods reached $1,442,000,000 compared to $1,591,400,000 in the same period in 1984. Imports of capital goods totaled $469.4 million compared to $447.8 million last year.

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CSO: 3348/152

PS-BRIONES REJECTS DIALOGUE WITH GOVERNMENT

PY031555 Madrid EFE in Spanish 0831 GMT 3 Dec 85

[By Juan Jorge Faundes]

[Text] Santiago, Chile, 3 Dec (EFE)--The plenum of the Chilean Socialist Party [PS] (Carlos Briones faction) has agreed to reject any type of dialogue on achieving the transition to democracy with Chilean Chief of State General Augusto Pinochet.

The agreement was approved unanimously by the PS Central Committee, which is headed by Carlos Briones, who was interior minister in Salvador Allende's government, during a plenary meeting that was held last weekend in Santiago.

The plenum of the PS-Briones also rejected the policy of exclusion that is being promoted by the right and the Christian Democrats.

Moreover, it adopted a critical stance regarding the militaristic policy of the Communist Party, but at the same time it favors a dialogue and a democratic political pact with that party.

The agreement that was approved by the plenum was submitted by leaders Ricardo Lagos and Ricardo Nunez and it outvoted, by 43 votes against 23, another agreement submitted by leaders Hernan Vodanovic and Akin Soto.

According to the evening newspaper LA SEGUNDA DE LA HORA, one of the outcomes of the agreement is that the PS-Briones will not participate tomorrow in the meeting that has been scheduled by the board of the National Accord for the Transition to Full Democracy.

The parties of the Chilean right, the multiparty Democratic Alliance (AD) and the Christian left (Christian Marxists) are members of that board.

Among the signatories of the National Accord, which was signed in August 1985, there are sectors that support a dialogue with Pinochet, others that would not reject a priori that possibility, and there are those, such as the PS-Briones, that have absolutely rejected the possibility.

The PS-Briones is a member of the AD, together with the rightist Republican Party and the centrist Christian Democrats and Social Democrats.

The PS-Briones warned in the agreement that was adopted last weekend that as of now its membership in the multiparty AD is conditional on the dropping of attitudes of exclusion.

These attitudes of exclusion have currently stopped the Popular Democratic Movement (MDP)--which is made up of the Communist Party, Socialist Party-Almeyda and the Movement of the Revolutionary Left--from becoming a member of a joint pact against the regime and for democracy.

The PS-Briones has now agreed to a continuous and systematic dialogue with the Communist Party to coordinate the efforts to conclude a democratic political pact.

The PS-Briones maintains that the only way for negotiations is to increasingly address the Armed Forces.

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CSO: 3348/243

SEGUEL RECEIVES SPANISH LABOR UNION LEADERS

PY030055 Madrid EFE in Spanish 1546 GMT 2 Dec 85

[Text] Santiago, 2 Dec (EFE)--Rodolfo Seguel, who today reassumed his post as president of the National Workers Command [CNT] of Chile, met with two union leaders of the Spanish General Union of Workers [UGT] on resuming his activities.

UGT Secretary General Nicolas Redondo and Manuel Simon, responsible for UGT international affairs, arrived in Santiago on Sunday, 1 December, for a 3-day visit.

Present in today's meeting were members of the CNT board, which includes the main union organizations opposed to the Chilean military regime.

Seguel reassumed the CNT presidency 5 days after having been freed on bail, after more than 2 months of imprisonment with other Chilean union leaders.

Shortly after their arrival in Santiago, Redondo and Simon went to the Santiago prison to visit the three Chilean union leaders being held there.

The Spanish union leaders talked in that prison with Manuel Bustos, president of the National Coordinating Board; Jose Ruiz di Giorgio, president of the Petroleum Workers Confederation; and Mario Araneda, member of the Metropolitan Dwellers Coordinating Board.

The three Chilean union leaders have been in jail for more than 2 months because of a government accusation holding them responsible, along with some 100 persons who were later set free, for acts of violence during the national protest day that paralyzed the country on 4 September 1985.

During the meeting, which began with a hearty embrace, the UGT leaders expressed their affection and solidarity with the detained union leaders, and transmitted to them the recent resolutions adopted by the International Conference of Free Trade Union Organizations [ICFTUO].

The ICFTUO Human Rights and Liberties Committee, which met between 13 and 15 November in Brussels studied the situation of the Chilean union and workers leaders, and agreed to adopt a number of actions to exert pressure on international governments and organizations to obtain the release of the Chilean union leaders before Christmas.

Redondo told EFE on Sunday that the objective of his visit to Chile was to establish contacts with democratic Chilean union leaders, many of whom are old friends of the UGT, to extend the UGT's affection and solidarity.

Simon, however, stated that he has been prohibited from entering Chile since 1979, but that thanks to the action of the Spanish Government with Chilean authorities, he could make this visit.

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CSO: 3348/243

MILITARY INVOLVEMENT IN RIGHTS VIOLATIONS ISOLATES PINOCHET

Bogota EL TIEMPO in Spanish 22 Oct 85 p 11-A

[Excerpt] Santiago, 21 Oct (Reuter)--Embarrassing revelations about military participation in murder and torture during the last 12 years add to the political problems that President Augusto Pinochet faces.

Diplomats and politicians agree that his political isolation was accentuated in August when many exiles joined the opposition parties in signing a national agreement for transition to complete democracy.

Now they say that public confessions by members of the security services and aggressive judicial investigation of cases involving human rights violations threaten to undermine the surviving bastion of his support, the armed forces themselves.

Some of the cases go back to the bloody sequel to the 1973 coup d'etat that catapulted Pinochet to power. Others go back to 1976 when hundreds of leftists "disappeared." The rest are based on the most recent abuses.

While comparisons with the current trials of former military junta members in Argentina are exaggerated, Pinochet's implicit claims that he alone can protect the armed forces from reprisals and recriminations seem emptier, according to the diplomats.

Pinochet who will be 70 years old next month made it clear in a message on Army Day that he disagrees with what is happening.

He said: "Voices are heard today using dangerous revanchist criteria to try to bring the members of this army to trial. The army is concerned about those criteria."

Federico Willoughby, a rightist politician and journalist who was the first spokesman for the junta after the coup, told Reuter that the armed forces remain unique in Latin America due to their loyalty and cohesion. However, he sounded an alarmist note.

He stated: "There is a myth in the armed forces that politicians always use them for disagreeable tasks and then discard them. There is resentment against politicians."

Willoughby said: "However, during these 12 years, military politicians have sprung up. They turn to the military professionals to do the same work that the politicians used to do. This could also produce resentment."

The current explosion of interest in cases involving human rights violations began with Judge Jose Canovas' investigation of the kidnapping and murder of three communists last March.

Canovas accused the intelligence service of the Carabineros (paramilitary police), DICOMCAR, of the crimes, precipitating the removal of the police chief, Cesar Mendoza, and the restructuring of the force.

Maximo Pacheco, vice president of the Chilean Human Rights Commission, said: "Canovas was the one who interpreted a feeling that is becoming more widespread in the judicial branch. The judges are more demanding and the security services know that they have to comply more with the courts."

This has been reflected in dramatic advances in a number of cases including the double kidnapping of the daughter of a prominent opposition politician and the "disappearance" of 10 members of the Communist Party in 1976.

One diplomat commented: "Each revelation leads to another. That was the problem in taking the lid off the Canovas case. It becomes a habit. No one asked questions before but when one investigation begins, everything starts to unravel."

A recent revelation by a former military governor of the northern city of Calama led to the criminal trial of a retired army general sent north by Pinochet in the months after the coup.

Gen Sergio Arellano is accused of summarily executing 26 leftists in the desert outside the city.

A recent public confession by a former member of the security services was also embarrassing for the military.

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CSO: 3348/152

OPPOSITION LEADERS REACT TO VALDES' SPEECH

PY032113 Santiago EL MERCURIO in Spanish 22 Nov 85 p C2

[Text] The speech of Gabriel Valdes, leader of the Democratic Alliance [AD], has provoked different reactions from political sectors which did not join the demonstration organized by the AD in Santiago's O'Higgins Park.

Some of the political leaders who were asked about Valdes' speech said they would give their opinion soon, while others excused themselves from expressing their opinion because they had not heard the speech.

Fernando Maturana, leader of the National Unity Movement [MUN], said: "If the purpose of the speech was to seek understanding among Chileans or a solution to the serious problems affecting the country by establishing a dialogue with the authorities, then the demonstrations of passion and resentment, and the speaker's boldness on the occasion are regrettable."

Fernando Ochagavia, leader of the National Party, said: "The fact that several Marxist groups participated in the demonstration, along with democratic sectors has confused public opinion."

Regarding an understanding between civilians and the Armed Forces, as proposed by Valdes who said that not doing so would be foolish, Ochagavia said: "I believe Valdes' proposal is very positive," because "this integration should be carried out based on a dialogue with the Armed Forces, which is still an unexhausted resource."

Ochagavia also said that, "in fact, democracy demands loyal behavior of loyalty between the rulers and the opposition is very important." [sentence as published] He said, however, that "minority sectors should have a place in democracy," which obviously should have an ethical basis. Regarding the proposal for peace in the country during Pope John Paul II's visit, Ochagavia said that his visit "will be decisive in obtaining positive results from the call made by the church for reconciliation and understanding. I have great hopes that the pope's presence will be a positive factor to achieve this."

Jaime Guzman, leader of the Independent Democratic Union [UDI], said his party will study carefully Valdes' statement, and report its opinion in the next few days." [quotation marks as published]

Asked about his personal opinion, Guzman said: "I do not wish to express my personal opinion before studying the issue within the party."

Ignacio Astete, another UDI leader, gave a similar reply when asked about this matter.

Tomas Puig, a member of the Political Commission of the National Party, said: "The National Party is against political persecution and exile; it respects the ideas of other parties which should have the natural right to meet when they wish."

He added: "We members of the National Party, however, did not participate in the demonstration at O'Higgins Park because we believe that we must first exhaust the phase of dialogue, which has just started. Achieving the National Accord for the Transition to Full Democracy has cost the democratic politicians much time and sacrifice. The National Accord envisages an initial respectful dialogue with the political and military authorities. Doing otherwise would be senseless."

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CSO: 3348/243

ALLAMAND: ACCORD CAN ACCOMMODATE GOVERNMENT, ALL PARTIES

Santiago EL MERCURIO in Spanish 27 Oct 85 p A-12

[Text] "All the interpretations that the different political participants in the country--the signatories as well as the government--have given to the National Agreement can be explained, discussed and improved on at a conference table."

The president of the National Union, attorney Andres Allamand, made this statement yesterday, referring to evaluations of the document presented by the minister secretary general of government, Francisco Javier Cuadra.

The political leader revealed: "Minister Cuadra's argument that the agreement admits several interpretations is redundant and meaningless. No one is unaware of the fact that there are somewhat different interpretations among the signatories. This is understandable among people with different political and ideological positions who have made a serious effort to emphasize their agreements, not continue insisting fruitlessly on their disagreements."

He added: "It cannot be forgotten that many of those differences can be settled by referring to the expressed text of the National Agreement. There is a willingness among the signatories to resolve them."

He added: "In any case, it is illogical for the government to act so sternly and point out the differences in perception that might exist among the signatories without noting that the same phenomenon can be observed in the various statements that the government has made about the agreement."

Allamand revealed that, consequently, "these different interpretations as well as those that Minister Cuadra points out among the signatories of the agreement could be completely reconciled at a conference table where these misunderstandings would be overcome. The real meaning of the agreement as its coordinator, Sergio Molina, stated is precisely to seek a formula of national understanding that avoids confrontation. The recent public demonstrations of adherence to and endorsement of the document by distinguished people on the national scene should be understood within this context."

Finally, as to the prospects of the agreement which he called a "first step," he stated: "It cannot be forgotten that the solidity of the democracy does not rest on an attempt toward uniformity and absolute agreement--which is impossible--but, on the contrary, on the possibility that there are different alternatives and political projects within a general, commonly accepted framework."

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CSO: 3348/152

INFLUENCES EXERTED ON COPPER CONTRACTS REVEALED TO NATION

Santiago ANALISIS in Spanish 22 Oct 85 pp 12-13

[Article by Maria Jose Luque and Fernando Paulsen]

[Text] A report was published at the beginning of this year in the prestigious specialized magazine AMM [AMERICAN METAL MARKET]. It referred to a sales contract for copper cathodes signed by CODELCO [Copper Corporation] Chile and ENAMI [National Mining Enterprise], sellers, and Westinghouse Electric Corp., the buyer. There are basically two reasons this news has not been reported in the Chilean media. The AMM report came during the state of siege when the national press was strictly censured or simply suspended. Also, according to the AMM and what ANALISIS could learn, the peculiarities of this contract seem to indicate that the government would not be pleased with publicity about this transaction.

Basically, AMM indicated the following: CODELCO and ENAMI had planned to cut their copper sales to Westinghouse in half this year. (CODELCO planned to sell it 500 instead of 1,000 metric tons per month and ENAMI would cut back from 500 to 250 tons.) However, the contract finally signed with CODELCO and ENAMI, according to AMM, meant that Westinghouse would receive 1,500 metric tons per month from CODELCO and 750 tons from ENAMI.

What factors influenced CODELCO and ENAMI to change these planned reductions in sales to this U.S. company? According to AMM, intervention by Augusto Pinochet, Jr, whom the publication ties to a U.S. metal marketing enterprise called URC [United Resources Corporation]. Its president is a well-known member of the international jet set from Chile, Mao Rojas. He made news a few months ago when he donated all the rights to his film starring his wife, Pamela Sue Martin, to Mrs Lucia Hiriart de Pinochet.

In a subsequent report in the same publication, Mao Rojas confirmed that his company helped Westinghouse obtain this contract. Nevertheless, Rojas denied intervention by the president's son in the operation, adding that URC "had no idea that copper sales to Westinghouse were going to be cut."

Contract's Route

The investigation by ANALISIS reached almost the same conclusion as the AMM. During the last quarter of 1984, Mao Rojas's enterprise, URC, began to shake up the U.S. copper market by offering copper to CODELCO's regular buyers. According to well-informed sources, a person who identified himself as Ray Benton and said he represented URC contacted South Wire of Atlanta and General Electric Co., among others. Benton told them he represented such major firms as Atlantic Richfield Co. and Westinghouse. He offered 50,000 additional tons from CODELCO. Benton even left a telephone number in Phoenix, Arizona (602-955-6217), if there was interest in continuing the contact.

Another national figure who appears to be tied to URC is Patricio Madariaga, brother of the former minister of justice and former Chilean consul in Los Angeles, United States. Madariaga sent a Telex from California to CODELCO recommending URC as a very serious enterprise just when the contract with Westinghouse suggested by URC was beginning to be negotiated with the authorities of the Chilean corporation.

Reports obtained in the United States by ANALISIS indicated that, in November 1984, URC agreed with executives from the Westinghouse Abingdon Plant to supply a large quantity of Chilean copper. The Westinghouse executives involved in these first talks were John McGill, who was responsible for supplies and sales at Westinghouse, and Jerry Metzger. When the AMM asked him about the negotiation, McGill declined comment.

ANALISIS sources indicated that Augusto Pinochet Hiriart made a special trip to Chile to finalize this sale. He and the URC representative in Chile, Jaime Garces, met with ENAMI executive Luis Valencia and CODELCO executives Pedro Corona and Alejandro Pino. At that time, the national executives indicated that this transaction could not be carried out since CODELCO was fully satisfied with Cerro Sales and ENAMI worked with its representative in New York, Luis Soto Mackenney, the brother of Gen Roberto Soto, rector-delegate of the University of Chile. They also told Garces and Pinochet that there was a bad feeling about Westinghouse since a few years ago the U.S. company failed to fulfill a contract after an abrupt change in market conditions.

According to our sources, the URC offer consisted in asking for up to 120,000 metric tons of cathodes from CODELCO and ENAMI for the Westinghouse wire plant. The commission that the U.S. company offered CODELCO and ENAMI was $11 per ton plus 50 percent of the profits from the sale of the wire.

ANALISIS learned that after the executives of ENAMI and CODELCO refused, the URC executives went to the president, as the AMM indicated. The chief of state met at La Moneda with Gen Patricio Torres, executive vice president of CODELCO, and Pedro Corona and Patricio Contesse, top officials of CODELCO. At that meeting, the president asked them to sign the contract suggested by URC. The Chilean executives again refused and offered their resignations to the president.

We do not know what type of negotiations followed this meeting. What is known is that CODELCO and ENAMI finally signed a contract with Westinghouse for a large quantity: CODELCO sold it 12,000 additional tons of cathodes and ENAMI 6,000 more. One of the major problems that the sale to Westinghouse presented to the Chilean executives was that this multinational company was reselling the copper, speculating on the market and thus becoming a direct competitor. According to what ANALISIS learned, Westinghouse resold part of the 12,000 additional tons bought from CODELCO to the Tenant firm and the 6,000 tons from ENAMI to the Transworld enterprise, both in the United States.

Disturbing Future

Several questions arise about this transaction. In the first place, ANALISIS could not determine who signed the contract with Westinghouse. It was rumored that none of the main Chilean executives would sign it, but this could not be verified despite many calls to the top executives at CODELCO and ENAMI.

Another unanswered question is whether the national copper enterprises plan to continue to work with URC, especially now that CODELCO canceled its contract with Cerro Sales Corp. It would also be very interesting to find out what commission was finally paid to CODELCO and ENAMI. This information is especially interesting after the resale by Westinghouse. It is also very important for purchases of war materiel by the Chilean FFAA [Armed Forces]. According to a secret national law, a considerable percentage of arms purchases by Chile is financed with copper sales. In other words, a bad deal by CODELCO could affect the FFAA's ability to purchase armaments. Without question, this should worry a country subjected to an official arms embargo and under a military dictatorship that perceives war materiel as its guarantee to stay in power.

In August 1985, CODELCO canceled its contract with Cerro Sales Corporation. Sources close to CODELCO told ANALISIS that there is no clear explanation for this since Cerro Sales was basic in order to increase CODELCO's sales in the United States and also contributed substantially to planning the Chilean strategy that effectively answered the anti-Chilean protectionist demands of the U.S. copper companies. To replace Cerro Sales--which is owned by the Prisker group, one of the two richest Jewish families in the United States--CODELCO established its own delegation in New York under Gonzalo Cuadra, brother of the minister secretary general of government and son of the treasurer of CODELCO, Francisco Cuadra.

As this issue went to press, sources tied to CODELCO told ANALISIS that URC will probably continue operating with the Chilean copper enterprises if Mao Rojas' latest initiative succeeds: to install an enterprise in Chile to buy the copper sheets here, transform them into copper wire and export them. The question now is at what price URC expects CODELCO and ENAMI to sell it the cathodes. With the influence that Mao Rojas' enterprise has demonstrated, it would not be unusual if the price of cathodes dropped rapidly.

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CSO: 3348/152

OPPOSITION TICKET WINS UNIVERSITY ELECTIONS

PY031738 Santiago EL MERCURIO in Spanish 22 Nov 85 p C6

[Text] The joint Christian Democratic Party [PDC] and Popular Democratic Movement [MDP] ticket has gained an absolute majority in the direct elections for the Executive Board of the Students Federation of Santiago de Chile University [FEUSACH].

According to reports early this morning, the new FEUSACH president is the Christian Democratic leader Andres Rengifo, 23, a history and geography student.

The results released last night were: 175 votes (2 percent) for the Humanist Party; 33 votes (0.04 percent) for the Trotskyite list; 1,161 (20.4 percent) for the University Accord (center right); 415 (5 percent) for the MDP sector made up by the Miguel Enriquez Rebel Youth and the Socialist "Commanders"; and 5,436 (66.6 percent) for the No 5 list of the PDC-MDP coalition.

The winning list was an open, personal list. The greatest number of votes was obtained by Andres Rengifo (PDC), who received 2,772 votes. Cristian Berrios (MDP) received 2,495 votes, and will be the vice president of the FEUSACH, while student Patricio Cannobio will be secretary general.

It was reported that 8,159 students voted, which represents 70 percent of the total of students with voting rights (11,706).

To cheers of members of his party, Andres Rengifo said last night: "The victory fills us with joy. We must first call upon the authorities of the corporation, who must realize that if we have more than 8,000 students supporting our federation, it is necessary for the students' demands to be heard. Recognition is indispensable for our action to be effective."

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CSO: 3348/243

CONCEPCION UNIVERSITY CONFLICT NEARS SOLUTION

PY291920 Santiago Domestic Service in Spanish 2200 GMT 28 Nov 85

[Excerpt] The withdrawal of the police forces that were inside Concepcion University is the first agreement in overcoming the 22-day paralysis in this university. This was agreed to after a meeting between the Association of Teachers and the university rector, Guillermo (Klerikus).

The students still have to hand in their reply to the last proposal made by the Concepcion University rectorate. The Teachers Association also proposed to (Klerikus) that the punishments against some students for offenses they had committed before the conflict be postponed or at least changed for lesser sanctions, according to current regulations. Teachers Association spokesman Pedro Vera said that the teachers believe that the conflict is virtually overcome, and the only thing that remains to be solved is the students' response.

The situation inside the university campus was calm despite the fact that the students were holding several meetings to discuss the rectorate's proposals.

The president of the Concepcion University Students Federation, Sergio (Micco), said that he personally believes that the last proposal of the rectorate should be approved.

Report from Nacional de Chile in Concepcion:

[Begin relay] [Unidentified reporter] Report from Concepcion for Onda Noticiosa of Nacional de Chile. The chief of Carabineros Inspection Zone Two of the South, General Alejandro (Cabeza Seis), this afternoon confirmed that, at the petition of the regional intendant, all police forces that were occupying the university have been withdrawn in order to contribute to the efforts to normalize university life.

The conflict, which paralyzed the various faculties of this university, is nearly solved. Rector Guillermo (Klerikus) personally presided over the forming of two commissions. One of them will study the requests of the students, who demand a building and funds for the Student Federation, presided over by Sergio (Micco). The second commission will study the ethic norms of behavior for university students. [end relay]

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CSO: 3348/243

ADVISORY COMMISSION COMPLETES DRAFT OF ELECTORAL LAW

Santiago EL MERCURIO in Spanish 31 Oct 85 pp A-1, A-10

[Text] The Advisory Commission for the Study of Complementary Laws to the Constitution headed by the former minister of interior, Sergio Fernandez, finished work on the Public Electoral System bill yesterday. It is considered a basic law among the group of political laws established by the 1980 Constitution.

The advisory team President Pinochet entrusted to study the legal political groups met for more than 2 hours in the Senate offices and approved a document with 290 permanent articles.

The bill has a preliminary chapter and eight parts. These correspond to: the times when preparatory acts for plebiscites and elections will be done; the acts themselves; vote counts; the electoral districts and their representation in the chambers; general provisions; public order and sanctions; and electoral service.

The commission will meet again in 15 days to discuss the observations of each one of its members and begin the report which must be sent with the bill at the end of November to the president and the minister of interior.

Fernandez told journalists that the bill "is a set of norms that regulate all matters related to the electoral system itself as well as the mechanism of electoral registration."

He commented that there is initial agreement about the voting system and the number of electoral districts but those subjects will be made public once there is final agreement and they have been submitted to the chief of state.

He indicated that the bill which will be a constitutional organic law since it is provided for in the Constitution is lengthy. It contains "definitions that are very important like, for example, the registration system and the method for choosing the number of districts and for choosing the districts themselves."

He added: "These are very complex topics of great political interest, great national interest."

Asked about the specific contribution of this bill--which the chief of state gave priority to--compared to earlier laws on this subject, Sergio Fernandez said: "It simplifies, modernizes and expedites procedures and has a different focus since it establishes electoral systems that agree more with the current reality of the country."

He stated: "It is definitely a great advance compared to earlier legislation, covering all the technological and technical aspects available now."

He also said that passage of this bill is an attempt to prevent accusations of electoral corruption denounced in the past.

Passage of this bill is covered in permanent Article 18 of the Political Constitution. That provision states: "There will be a public electoral system. A constitutional organic law will determine its organization and functioning. It will regulate the elections and plebiscites as provided for by this Constitution and will always guarantee complete equality between independents and the members of political parties, both in the presentation of candidates as well as in participation in these processes."

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CSO: 3348/172

BRIEFS

COURT INDICTS MENSAJE DIRECTOR--The First Appellate Court of Santiago has indicted Jesuit Priest Renato Hevia, the director of MENSAJE, on charges of committing libel against the president. Judge Marcos Livedinsky will have to notify the priest of the court's decision. Last year, the Interior Ministry accused Hevia of libel against the president. [Text] [Santiago Domestic Service in Spanish 1630 GMT 3 Dec 85 PY] /6091

CONSUL TO BARCELONA--General Enrique Valdez Puga, retired, has been designated Chilean consul to Barcelona, Spain. This report was released today by Foreign Minister Jaime del Valle. Valdez Puga had been chief of the army staff until recently. [Summary] [Santiago Radio Chilena in Spanish 1600 GMT 25 Nov 85 PY] /6091

FRUIT FLY AGREEMENT WITH PERU--An agreement has been signed at the Agriculture Ministry to eradicate the fruit fly or Mediterranean fly in the Chilean-Peruvian border area. In attendance were Agriculture Minister Jorge Prado and Peruvian Ambassador to Chile Jose Luis Bustamante. [Summary] [Santiago Domestic Service in Spanish 1000 GMT 23 Nov 85 PY] /6091

CANADIAN, URUGUAYAN AMBASSADORS--Michel Dgoumois and Alfredo Bianchi Palazzo, the new Canadian and Uruguayan ambassadors to Chile respectively, on 14 November presented their credentials to President General Augusto Pinochet. [Summary] [Santiago EL MERCURIO in Spanish 15 Nov 85 p C3 PY] /6091

SANTIAGO-MONTEVIDEO FLIGHT--The manager of the Uruguayan National Airlines [PLUNA] has disclosed in Santiago that this airline will start a commercial flight between Santiago and Montevideo as of January 1986. [Summary] [Santiago Domestic Service in Spanish 1630 GMT 29 Nov 85 PY] /6091

SCHOOL POLITICAL ACTIVITIES BANNED--Students' associations of high schools and vocational institutes will no longer be able to engage in political activities or participate in the management of academic affairs of their institutions. Furthermore, unless their school officially belongs to a given religious organization, student associations will not involve themselves in religious activities. These provisions are part of Decree No 736, which sets forth the rules and regulations for student associations in high schools and technical and vocational institutes and was published today in the OFFICIAL GAZETTE. The decree also provides that each student be allowed to decide for himself whether to join the association or not, and those who decide against joining cannot be compelled to do so. Furthermore, there can be only one student association per school. The basic organization of student association will include a council of class representatives and executive board. The student association will receive direct advice for its organization and affairs from two teachers of the school. The student associations will be organized and operated in keeping with a set of regulations based on the provisions set forth in this decree taking into account the specific characteristics and the circumstances prevailing at each institution. [Text] [Santiago Domestic Service in Spanish 2200 GMT 27 Nov 85 PY] /6091

WINE INDUSTRY PROBLEMS ADDRESSED--Minister of Agriculture Jorge Prado, businessmen from the grape-growing sector and agricultural leaders agreed to hold a round of meetings with the different sectors involved in order to analyze possible solutions to the crisis that affects the country's grape growers. This should lead to an integral policy for the sector. This information came from sources within the sector after a meeting yesterday in the minister's office. It was attended by Manuel Valdes, Osvaldo Astaburuaga, Alberto del Pedregal, Roberto Echeverria, Guillermo Donoso, Renato Zenteno, and Emilio Merino, among others. Some of those consulted pointed out that Minister Prado is aware that the grape-growing sector needs special treatment. In addition to agreeing on a round of meetings to analyze the situation, Prado resolved to reactivate the National Wine Commission. This organization will focus on discussion of the global policy for the sector while short-term measures will be analyzed by the Ministry of Agriculture and the Ministry of Finance. The meeting was called "very positive." According to the authorities, "the government is interested in the subsistence of the 40,000 producers who work in this sector." Those consulted pointed out that the idea is to adopt short-term measures before the next grape harvest begins. [Text] [Santiago EL MERCURIO in Spanish 6 Nov 85 p B-1] 7717

REFINERIES SHOW SUBSTANTIAL LOSSES--Petrox and the Concon Refinery, branches of ENAP [National Petroleum Enterprise], had combined losses of 5,838,000,000 pesos in the first 9 months of this year. This contrasts with the profits of 2,121,000,000 calculated in the same period last year. The analyses that the two enterprises sent to the Securities Superintendency indicate that one of the reasons for the losses was the fact that these enterprises could not pass on to the public the price increases for ENAP's oil supply resulting from the devaluations recorded during that period. These had to be absorbed by the enterprises. This considerably increased the commitments to ENAP, the supplier of crude oils, which had been agreed on in dollars. They followed the changes in the rate of exchange while the shares of the enterprises were readjusted based on the IPC [Consumer Price Index]. [Excerpt] [Santiago EL MERCURIO in Spanish 6 Nov 85 p B-1] 7717

CSO: 3348/172

BRIEFS

PUN DENIED ELECTION REGISTRATION--The National Union Party, PUN, will not participate in the upcoming Costa Rican presidential election in accordance with the resolution that the magistrates of the Supreme Electoral Tribunal [TSE] decided yesterday to adopt. The magistrates ratified the ruling issued by the Civil Registry, by which the registration of the presidential, vice presidential, deputy, and magistrate candidates of that political group were rejected. The PUN is led by Deputy Oscar Aguilar Bulgarelli. The Civil Registry came to the decision after discussing the appeal introduced by PUN's former president, Olga Marta Ulate. The TSE, for its part, ratified the Civil Registry's ruling based on that appeal and the actions to renew the PUN's registration and membership lists, TSE Secretary Rodolfo Ledezma explained. The resolution is currently being drafted based on the considerations outlined in the ruling. It will be turned over to PUN representatives this afternoon to formally conclude the legal action, Ledezma indicated. [Text] [San Jose LA REPUBLICA in Spanish 6 Nov 85 p 2] /8309

CSO: 3248/86

PARTY ASSEMBLIES DISCUSS INEFFICIENCY, TRAINING PROBLEMS

Holguin Meeting

Havana BOHEMIA in Spanish No. 39 27 Sep 85 pp 47-48

[Article by Miguel A. Masjuan]

[Excerpts] As the ideas of Bolivar and Marti are being born again in the hearts of Third Worlders in the Americas, the Cuban rearguard through the voice of its Party continues the organizational development to prepare for the 3rd Party Congress.

Holguin held its assembly to report on results, and there too the highly critical and self-analytical spirit of party members was evident, reflected in speeches such as these.

Jesus Tauler of Gibara discussed the topic of the systematic monitoring of agreements on yields and economic efficiency, and on raising quality standards and clarifying the information provided to the workers concerning costs, productivity, average wages and other indicators. This will allow for a more active participation by the working class in the monitoring of productive management.

Delegate Lazaro Gonzalez of Moa stated that experience has revealed the persistence of inefficiency in economic controls, in both accounting and statistics, and especially in the area of quality. These defects stem from the lack of discipline and the shortage of trained technical cadres and adequate equipment for the task. He also expressed the need to incorporate the assets of high yields or economic efficiency into the investing budget units, considering that these entities are major consumers of material and financial resources in the province.

Ivan Arteche, director of the Mechanical Nickel Complex, discussed various problems that are hindering the maturity of the key investments of the mining and metallurgical program, such as long construction periods, adjustments of projects, changes in equipment, and other factors.

Arturo Sanchez of Urbano Noris criticized the low utilization of agricultural machinery for production purposes. This usage level is just 28 percent, while

54 percent of the machinery is used for transportation and 18 percent for services. "That's no way to come out ahead."

Delegate Idelisa Santos of Holguin pointed out that the mortality rate of livestock is affected by insufficient feed supplies, although subjective factors such as low quality, ignorance of technical standards for livestock, and poor management of the herd also have an influence.

Jorge Risquet, a member of the Politburo, mentioned the cadre policy in his closing remarks. He stressed the cadres' task of selection, training and promotion, with regard to the cadres of the Party as well as the Union of Young Communists, the mass organizations and the state. This is an important, decisive, ongoing task that has strategic implications, he noted. He also urged that criticism and self-analysis be stepped up throughout the Party, "as a basis and point of departure to implement criticism through all channels, from oral means (speaking at meetings or assemblies) to the mass media, against anything that is done poorly."

In his speech, he also stated: "At the same time that we deal with all the tasks of production to boost production, cut costs, improve quality and increase labor productivity--in other words, to achieve economic efficiency--we cannot let up for a single minute in our growing effort for defense.

"Production and defense continue to be the essence of our work. And for both to progress, our Party's actions and ideological work are decisive."

The Communists of Holguin confirmed Miguel Cano Blanco as their first secretary. Jose Ramirez Cruz, an alternate member of the Politburo, was also confirmed as president.

Villa Clara, Matanzas Meetings

Havana BOHEMIA No. 38 20 Sep 85 p 59

[Text] Villa Clara held its provincial Party assembly, which was chaired by Jose R. Machado Ventura and Sergio del Valle, members of the Politburo; and Jose Ramon Balaguer and Julian Rizo, members of the Secretariat.

The Communists of Villa Clara confirmed Tomas Cardenas Garcia as their first secretary for the province.

Economic efficiency, political-ideological work, exportable funds and the defense training of the people were the principal topics discussed in the central report. In addition, the assembly also dealt with the concerns of daily social life. Delegate Daysi Rivero of Santa Clara commented that the number of women in leadership posts is still low in this country, and requested that the Party take political action on this matter to attain more success in the struggle for women's equality.

Aurora Perez Gonzalez stressed that we must continue to improve the educational process and vocational guidance. She also called attention to the need to improve the quality of classes and to make the teacher a true educator.

In the concluding remarks, Balaguer stated that despite the undeniable success in sugar production, and considering the influence this product has in the province, priority should also be given to important aspects such as obtaining higher yields per caballeria, giving more attention to planting, the selection of seeds, the preparation of land and other factors that affect yields. Moreover, "the role of the Party in attaining these objectives should be emphasized more."

On another point, referring to internal party life, he stressed that the work objectives approved in the assemblies, from the nuclei to the provincial level, "should not be dry statistics filed away in some document," but rather it is assumed that the nuclei have already verified the accomplishment of most of what was agreed upon. As for the city and provincial governments, he indicated that the implementation and monitoring of these objectives must be the primary responsibility of the committee plenums and the meetings of the executive boards in the next term.

Matanzas also held its assembly, and confirmed First Secretary Esteban Lazo in his post.

In a straightforward, critical and self-analytical style, the central report discussed the issues that affect this province.

Juan Almeida, member of the Politburo, made the concluding remarks. Among the various points he discussed, he indicated that more work should be done on the preparation of the topics of discussion at the meetings, in terms of the party perspective, quality, the implementation of the agreements adopted, and above all the improvement of the monitoring mechanisms that must be applied in order to carry out follow-up activities and ensure full completion.

Almeida spoke of the importance of a correct cadre policy, and asserted that this is one of the key elements in the direction of productive, political and social activity.

The commander of the revolution stated that "the capitalists, with the inhuman methods practiced in their system, can lead only with technical and organizational capacity. We, on the other hand, need something more than organization and technical know-how, as important as they are. To lead, we need something greater, something that guides us, an irreplaceable element: Communist morality. That is the source of our strength, of our authority; it may be the only thing that will make the people listen to us, follow us, and place their confidence in us."

"In recent times, especially, we all feel," he said, "that the spirit of solidarity, internationalism and Latin Americanism of the Cuban Revolution is being brought to the highest level by Fidel in the historic battle that he is waging against the foreign debt and its disastrous consequences for all underdeveloped countries. As revolutionaries, as Communists, as Cubans, we are moved to see Fidel devote himself to a task that is worthy of him, and to a cause that is the cause of independence, sovereignty and the future of the Americas."

Presiding over the meeting were Jose Ramon Machado Ventura, member of the Politburo, and Julian Rizo Alvarez, member of the Secretariat, among other officials.

8926
CSO: 3248/80

TEENAGERS IN 'PREVENTION CIRCLES' HELP TO COMBAT TRUANCY

Havana MONCADA in Spanish Oct 85 pp 24-26

[Article by Jesus Barreto]

[Text] It is kids' nature to be mischievous, play around and get involved in certain pranks that are no real cause for concern.

Things get dangerous, however, when they begin to get into trouble, their school obligations get shunted aside and the lack of control in their lives becomes apparent.

Then special treatment is needed to make changes in their behavior. In this endeavor, the family is most responsible for the minor, followed by the teachers in their role as educators, and juvenile authorities. Since last year, another element has been added to this complement: students who have joined the "Prevention Circles."

While the majority of children fulfill their scholastic duties, others prefer to run around in the streets.

Among the Pioneers, such activities are condemned, while ways are sought to rehabilitate those who behave in such a manner.

This is the nature of the work performed by the Youth Prevention Circles, which are already operating at several educational centers in the country. One of those centers is the Juan Borrell Basic Urban Secondary School in Guines; ten Pioneers are participating in the program there.

In just over a year, its young members have built up a strong record in the treatment of misconduct and have learned a great deal about the work of the Interior Ministry in this aspect of social life.

Problem from Kids' Viewpoint

Second Lt Luis Hernandez, a prevention officer for the city, was responsible for forming the group. "It has been an interesting experience. Practice has shown how useful this kind of work can be when the kids themselves do it."

"We had background information on the activities of the Pioneers to improve discipline, but the Prevention Circles try to go much beyond that. It's like a specialization, a kind of confrontation and direct solution of the problems."

In fact, when you listen to them you get the impression you are dealing with adults, because of their detailed assessments of the situation and their serious approach to each task.

Tania Rivas, 13, confesses that she thought she would be able to convince a friend of hers to improve his conduct:

"The first time I approached him he hardly paid any attention to me. He would stamp his foot and refuse to look at me. My words didn't seem to matter much to him.

"Several days later I had another conversation with him about several instances at school when he had shown a lack of respect, and about his repeated absences. He looked at me indifferently, as if I were interfering.

"I observed him for a few days, and realized that he did not carry any notebooks, or rather, he took notes for all his classes in just one notebook. We got new notebooks at the Circle, put covers on them, and put his name on them. We gave them to him and invited him to study with us. We were surprised one afternoon when he showed up at the place where we always got together before exams."

Rene stopped going to class for no good reason. Adieren and Marisuly took it upon themselves to determine the real reason why he had stopped doing his school work.

"One afternoon," related Adieren, "we caught him playing ball. We went out onto the field to interrupt him and scold him, but all we did was make him furious.

"The next day we went back, but in a larger group. We tried to make him listen to our arguments. Soon he realized that we would keep at it forever, and he finally agreed to go the next day. And he went; we had won a small battle."

Circle Members Wear Long Pants

Each case is unique, and therefore requires unique treatment. When they managed to solve Daniel's problem, the members understood this premise of social work.

Daniel was a 13-year-old boy who would go to school only two days a week, for the express purpose of causing disruptions in class. There were times when he would stand around at the school entrance, and after a long conversation with his friends, would continue on to another place.

His teachers, the Pioneers Council and the prevention officer had already intervened in the matter, but the results did not indicate any change in his behavior.

"Let the kids in the Circle try," decided 2nd Lt Hernandez, like someone tossing a coin.

The fact that such a case had been referred to them really inspired the group, and it began to examine the effectiveness of the measures that had already been tried.

They all agreed to meet again to present their recommendations. At the end of that meeting, they reached the conclusion that they should launch a campaign to make him react, and that the whole circle should participate.

Ivet and Rolando felt that the tremendous strength of the rest of the group, including his closest playmates, should not be ignored.

Daniel quickly noticed that something strange was happening. But his greatest surprise came when several young people showed up at his house to talk to his mother.

The dialogue was heated. She tried to evade her responsibility, claiming that there were too many brothers and sisters and that she couldn't do any more. The Pioneers, for their part, warned her of the damage that was being done to him because he was not being forced to fulfill his obligations.

Three days later they went to the workshop where his father worked:

"And what do you want me to do? I'm tired of scolding him," responded the man indifferently.

The Pioneers' offensive included a boycott of the games in which Daniel played. They talked his friends into refusing to accept him during the times when he was supposed to be in class and putting him down when he boasted.

During that time he would sit alone on a wall across from the school entrance, dressed in his uniform. No one was seen talking to him, and when the bell rang he occupied his seat.

It was hard for the Pioneers to believe that Daniel had changed his ways, but they became convinced when he accepted their help in updating his notebooks.

The story does not end here. Through his friends they found out about a basketball game he was supposed to play in. The kids from the Circle understood how meaningful their presence would be to him at that game. And so it was; they say that in honor of their visit, he played as never before.

Good Luck, Pioneers

The members of the Prevention Circle always have work to do. The extensive program includes seminars and conferences that deal with juvenile matters.

They also spend a good part of their time accompanying the prevention officer on visits to reform schools throughout the territory, and on interviews with social workers to learn about these issues.

In addition, they visit museums and exhibits of sculptures and paintings, and they go to the theater.

Guide Leda Lopez is in charge of maintaining cohesion in the group. She is very strict about participation in these activities:

"They are fascinated with the investigations," she contends. "They are very thorough in arriving at conclusions about the cases, to make sure no mistakes are made. They have come a long way in this area, and I think they have learned a lot."

They have not yet decided what they will major in at the university. They dream of being doctors, engineers, psychologists and attorneys, but all of them are sure they will succeed.

8926
CSO: 3248/94

CAPTURE OF HAVANA CITY SUPERMARKET THIEVES RECOUNTED

Havana MONCADA in Spanish Oct 85 pp 27-29

[Article by Alfonso Puron]

[Text] Between February and March of 1985 the units of the National Revolutionary Police in the municipalities of La Lisa and Marianao took several reports of burglaries in various commercial establishments of the retail food network.

In almost all cases, the modus operandi employed by the culprits was similar, as was the amount taken (usually tobacco, cigarettes, food and alcoholic beverages).

In their statements, the administrators and managers of the stores in question indicated that the burglars had broken down doors and pried open windows to enter the buildings. This assertion was confirmed upon investigation by police experts.

It was also learned that the padlocks and chains used as a security measure in the stores would disappear in the incident, even when they were installed on interior doors and did not interfere with the criminals' actions.

During a visual inspection of the crime scenes, fingerprints and male shoeprints were found, principally in areas used for grain storage.

Burglars Strike Again

Early the morning of 12 March, a new incident was reported in another town in the municipality of Marianao.

On this occasion, the culprits entered the premises through the employees' entrance, for which purpose they used some sheet-metal sheers that were later found by police dogs on a vacant lot near the site of the burglary.

In addition, to the surprise of investigators, a few meters away from the cutting tool an I.D. card was found, still wet from the morning dew, bearing the name of Roberto Pando, a resident of La Lisa and an employee of the port warehouses.

Investigators learned at the local Committee for the Defense of the Revolution that this person indeed existed; he was a young man 22 years of age, known in the neighborhood to be well-behaved, and he participated actively in the organization.

The information obtained about Roberto Pando's personality and conduct was confirmed by the labor union and political organizations in the port warehouses: The young man was regarded as a good worker, and never caused any problems.

Both investigations, along with other details obtained at the same time, led to the elimination of Roberto Pando as a suspect in the burglaries.

Nonetheless, investigators thought a private interview with Pando would be a good idea, to clear up the matter of his I.D. card.

The conversation took place at a place near Roberto's workplace. The interviewer had only to glance at his face to realize that it did not match the picture that appeared on the document in the authorities' possession.

Pando's answer was very simple, and dispelled any doubts that may have remained about him: "I lost my I.D. at an event that took place in the amphitheater on Avenida del Puerto."

At this point in the investigation, it was essential that the police determine whose picture was affixed to Roberto's I.D. card.

Campaign Begins . . .

Within a few hours, the Search and Arrest officers of the provincial Criminal Investigations Bureau had in their possession a copy of the photograph, and a dragnet immediately began in the 15 municipalities of Havana.

At the same time, other steps were taken in conjunction with the municipal Identification Card and Population Registry offices and the units of the National Revolutionary Police in the capital, so that they could search through their records of those involved in criminal activities to find anyone who bore a physical resemblance to the subject of the search.

Late in the afternoon on 15 March, a citizen with features similar to those of the suspect was arrested. He turned out to be someone by the name of Faustino Gonzalez, and when he was arrested he had no identification whatsoever on his person.

All the answers he gave investigators were evasive and contradictory, including those referring to his I.D. card, which he claimed to have lost while doing a volunteer job. He did not, however, specify at any time why he had not requested a new one, where he resided, what he did, or where he worked.

The comparison of the fingerprints, nevertheless, provided the first piece of the puzzle: The thumb and index finger of Faustino's right hand matched two of the partial prints obtained at several of the stores where the burglaries had taken place.

Hours later, Faustino Gonzalez admitted his participation in the events.

End of Night Visits

The investigation into the suspect's personality, habits and lifestyle led the police to the individuals who were his closest friends, possibly including his principal accomplices.

The night of 16 March, Jose Luis Jaime, AKA "Totico" [Darky], was caught prying open the door of the Los Marinos Club on Avenida del Puerto.

His arrest was not linked at any time to the burlaries of the stores and supermarkets in Marianao and La Lisa, but rather to the four marihuana leaves he had in his pockets.

Upon reaching the Provincial Criminal Investigation Department he saw the error of his ways and confessed, like Faustino, that he had participated in the burglaries.

Almost at the same time, Nelson Garcia and Jesus Cuellar, known as "El Zurdo" [Lefty] and "El Jabao" [Half-breed], respectively, were also arrested when they knocked at the door of the home of Ramon Galletano. For several months he had been buying the burglars' ill-gotten goods to fence them on the black market.

With this latest arrest, the organized group that had been operating in the commercial establishments of the retail food network in Marianao and La Lisa was finally broken up. The campaign was effective, because the rats never returned to haunt the stores.

8926
CSO: 3248/94

BRIEFS

CHARLES ON CONSTITUTION--Roseau, 2 Nov (CANA)--After seven years of independence, Dominica's Prime Minister Eugenia Charles says she is not satisfied with the operation of the island's 1978 constitution. She told reporters the main problem stems from the fact that at the last minute, following independence talks in London, Dominica was given republican status, while the constitution was originally drafted for a monarchy. But Miss Charles said government will not yet act on a constitutional review committee report which was submitted earlier this year. She said the review committee had difficulty in getting public reaction, and government would make a second attempt at discussing the constituion with the population over the next year, before any substantial changes are made. The recent constitution has been twice amended since it was adopted on 3 November, 1978. The changes dealt with citizenship and eligibility for the presidency. [Text] [Bridgetown CANA in English 1832 GMT 2 Nov 85 FL] /9274

PARTIES IN ROSEAU ELECTION--Roseau, 8 Nov (CANA)--Dominica's two main political parties will at month-end test their popularity with the electorate in the capital, as they vie for control of the Roseau City Council. The electoral office today announced that both the ruling Dominica Freedom Party (DFP) and the opposition Dominica Labour Party (DLP) are fielding candidates in the 29 November elections to the 13-member city council. In general elections last July, the DFP won 15 of the 21 seats in Parliament. The municipal poll will see a new mayor, as incumbent Gonsalves Peltier is not standing again. The DLP boycotted the last elections in 1982, handing victory to the DFP. It, however, won a seat in a by-election two years ago. There is one independent candidate--Ronald Abraham, managing director of one of the island's two cable television companies. The City of Roseau is divided into four wards, with two candidates to be elected from each ward. Government will be following the results of the elections to appoint five persons to the 13-member council. Some 10,025 people are eligible to vote in the election for which nomination day was yesterday. [Text] [Bridgetown CANA in English 1747 GMT 8 Nov 85 FL] /9274

COFFEE, CITRUS IMPORTS BAN—Roseau, 11 Nov (CANA)--The Dominica Government today announced an indefinite import ban on coffee and citrus plants, following the outbreak of disease in Cuba and Florida. A statement issued by the Ministry of Agriculture said that it had been informed of an outbreak of coffee rust in Cuba and citrus canker in Florida. To prevent the further spread of these diseases, the Caribbean Plant Protection Commission and the Food and Agriculture Organisation (FAO) have advised all ministries of agriculture in the Caribbean to place bans on the movements of citrus stock, coffee plant material and unprocessed seeds, the statement said. It warned that restriction of the coffee and citrus plants, plant material and unprocessed seeds from importation into Dominica will be maintained until the ministry received further information from the Plant Protection Commission. [Text] [Bridgetown CANA in English 1942 GMT 11 Nov 85 FL] /9274

UK MARKETING ASSISTANCE--Roseau, 11 Nov (CANA)--A consultant provided by the British Government has arrived to help the Dominica Government set up a new export-import marketing organisation. The two-year assignment of John Winter follows a decision to merge the External Trade Bureau and the Dominica Agricultural Marketing Board (DAMB). According to the latest issue of the Ministry of Agriculture newsletter DOMINICA MARKET NEWS, the proposed agency will serve more than 1,000 farmers. The organisation will have interest in the imports of certain foods and in the export of several agricultural-based commodities, particularly fresh fruits and vegetables but excluding bananas. Direct trading activities with regard to importing rice and sugar will be the responsibility of the organisation and it will, in addition, compliment existing traders in export earnings and enhance farmers' incomes, said the newsletter. [Text] [Bridgetown CANA in English 1959 GMT 11 Nov 85 FL] /9274

CSO: 3298/125

GOVERNMENT, UNIVERSITY TO EVALUATE CUBA GRADUATES

FL082000 Bridgetown CANA in English 1856 GMT 8 Nov 85

[Text] St Georges, 8 Nov (CANA)--Grenada wants the University of the West Indes to help the island assess the degrees of 45 Grenadians who recently returned home from studies in Cuba, Education Minister George McGuire says.

The students were offered scholarships to Cuba during the 1979-83 rule of the leftwing People's Revolutionary Government (PRG), which had close ties with Havana. Mc Guire told CANA that until this assessment is fully completed, the government would not be able to offer jobs to the graduates.

The Grenada Government needed proof that the students who returned home with degrees in economics, dentistry and engineering are really qualified to do jobs given them, he said.

We have not had any history in the past of sending our students to the Eastern bloc countries or Cuba to study, so you would appreciate that we would want to assess the quality of their diplomas.

We are right now going through an accreditation process, and I am pleased to say that the University of the West Indies has promised to assist us in our evaluation process and, when that is complete, we would know exactly where we are with them, he said.

McGuire rejected charges from spokesmen for the previous leftist rulers in Grenada that his government was not prepared to give jobs to the students because of Cuba's communism.

He said that although the question of ideology could be a determining factor in the cautiousness of the government in granting jobs to the students because of the history of violence on the part of the left, the administration here was committed to reconciliation.

/9274
CSO: 3298/126

BRIEFS

BWIA FLIGHT CANCELLATION--BWIA has discontinued its weekly direct flights into Point Salines International Airport from New York while the airline awaits a final decision from government. A BWIA representative told GRENADIAN VOICE that the Airline had been given three options to deal with the high cost of servicing the flight which was scheduled to arrive at 3.35 each Saturday morning and depart at 4.20 a.m.:--(a) Cancel the flight, (b) change the schedule to provide for an earlier arrival of the flight, or (c) pay increased landing fees. The Airline chose the first option for the time being pending further consideration of the matter. On the other hand, Dr. Keith Mitchell Minister responsible for Aviation told the VOICE that he was surprised to hear that the flight had been cancelled since he had assured BWIA representatives that Government would be happy to have the flights continue. [Text] [St Georges THE GRENADIAN VOICE in English 12 Oct 85 p 3] /9274

CALL FOR HUMPHREY'S RELEASE--St Georges, 7 Nov (CANA)--Grenada's left wing New Jewel Movement (NJM) tonight called for the release of imprisoned trade unionist Chester Humphrey, now in day 67 of a hunger strike to protest his pending extradition to the United States on gun-running charges. The statement by the NJM, most of whose leaders are in jail awaiting trial for the murder of former NJM Prime Minister Maurice Bishop, said that Humphrey was determined to starve himself to death if the government failed to take a political decision to free him. The statement, issued by NJM executive member Ian St Bernard, called on Grenadians to protest the attempts to extradite Humphrey and to support his defence fund. Humphrey is an executive member of the NJM, which was toppled from power in the October 1983 U.S.-led invasion of the island following the execution of Bishop in a bloody palace coup. He jumped bail in the U.S. in early 1980 after being charged with the export of arms and ammunition to his homeland, allegedly used to help in the NJM's rise to power in a 1979 coup. Humphrey has filed an appeal against the rulings of two lower courts that a sufficient case was made out for his return to the U.S. to stand trial. {Text] [Bridgetown CANA in English 2233 GMT 7 Nov 85 FL] /9274

FAR EAST INVESTMENT--St Georges, 7 Nov (CANA)--Grenada will join the Caribbean drive to secure investment from Far Eastern nations, particularly those in Hong Kong, External Affairs Minister Ben Jones says. Jones told CANA that he would explore adding stops in Japan, South Korea and Hong Kong to his

China trip in spring 1986. He stated that shortly after the New National Party (NNP) was voted into office in Grenada nearly a year ago, some investors from Hong Kong visited the country expressing a willingness to set up business on the island. We will in very due course be talking to Hong Kong, China, (South) Korea and all of them, with a view to encouraging them to come here and get involved in the development of business. I think the opportunity is there to even induce the Japanese to come, because they have expressed willingness too. So once I am in that area (Far East), if it is possible I would go to Japan and South Korea because they have expressed interest in Grenada, Jones said. [Text] [Bridgetown CANA in English 2107 GMT 7 Nov 85 FL] /9274

CSO: 3298/126

CDN ADDRESSES CONFERENCE FOR PEACE, DEMOCRACY

PA142224 San Jose LA REPUBLICA in Spanish 8 Nov 85 p 25

[Paid advertisement by the Nicaraguan Democratic Coordinating Board, CDN, no date given--passages within slantlines published in boldface]

[Text] /Honorable gentlemen, organizers and participants of the "2d conference for peace and democracy in Central American"/

/San Jose, Costa Rica, from 8 to 10 November/

When it learned of the "2d Conference for Peace and Democracy in Central America" in San Jose, Costa Rica--a conference to which we did not appoint delegates because we were not invited--the "Nicaraguan Democratic Coordinating Board" decided to let you know the true feelings of the Nicaraguan people, the majority of whom it represents in their struggle for peace and democracy through the labor, business, professional, and political groups that make up our organization established in Nicaragua.

We believe that the absence of the voice of the democratic, internal, civic, and Nicaraguan opposition, with all its broad representation, leaves a basic vacuum in any attempt to seek solutions to the serious Central American crisis.

On several occasions we have told national and international public that we are convinced that there will not be peace in Central America without democracy in Nicaragua, but we have not yet found enough ears in Latin America, North America and in democratic Western Europe to listen to us. We also know that the "Nicaraguan Permament Human Rights Commission" sent letters twice to each of the Contadora Group presidents telling them the same but receiving no attention.

Recently, the CDN tried to organize a Central American symposium on Contadora in Managua to discuss precisely these topics with Central American popular organizations, those directly interested, in the hope of reaching true and effective conclusions. Unfortunately, the state of emergency decreed by the Sandinist government made the holding of this event impossible.

Gentlemen, organizers, and participants: Nicaragua's democratic people are asking for your solidaristic support; they are asking you to publicly recognize that peace in Central America means that there should be democracy in Nicaragua; they are asking you to publicly recommend, as the sole political project viable for peace and democracy in Nicaragua, the holding of the "national dialogue" that the Nicaraguan people have been demanding since December 1983; it is a dialogue that must be held between the ruling FSLN party and the democratic opposition held and organized by the "The Episcopal Conference" of our country whose result must be duly backed and guaranteed internationally. This is what the Nicaraguan people expect of the second conference for peace and democracy in Central America.

Foreign ideological and political interests can demand that you disregard our historic reason and the tremendous reality experienced by our people. It is up to you.

Yours truly,

The Nicaraguan Democratic Coordinating Board

/Nicaraguan Conservative Party (PCN)/
/Constitutionalist Liberal Party (PLC)/
/Social Democratic Party (PSD)/
/Social Christian Party (PSC)/
/Nicaraguan Workers Federation (CTN)/
/Unity of Trade Unions (CUS)/
/Federation of Nicaraguan Chambers of Commerce/
/Chamber of Industries of Nicaragua (CADIN)/
/Nicaraguan Development Institute (INDE)/
/Nicaraguan Chamber of Construction/
/Union of Nicaraguan Agricultural-Livestock Producers (UPANIC)/
/Confederation of Nicaraguan Professionals Associations (CONAPRO)/

/8309
CSO: 3248/85

PROBLEMS WITH MANAGUA PUBLIC SERVICES DISCUSSED

Managua LA PRENSA in Spanish 5 Sep 85 p 2

[Article: "Rainwater Drainage"]

[Text] Possibly the most serious problem that Managua, its inhabitants and the mayor's office confront is the inadequate, obsolete, and deteriorated gutters, culverts, bridges and related structures that need repairs. It must be admitted that these problems have never been taken care of with the proper technology by any government since the earthquake of 1931. Temporary repairs have been resorted to following winters, and inadequate preventive measures have been taken a few weeks before the rainy season.

But the renovation and enlargement of Managua's drainage system need new plans, studies, financing, budgets, apt and capable contractors, and a maintainance system that would at least allow Managua to put a stop to an ever increasing bad image as a dehumanized, dirty city, the majority of whose houses have their walls covered with political slogans; a city that, almost 13 years after the earthquake of 1972, has not achieved new heights or minimum levels of prosperity in any area.

Water Supply

After a brief zonal rationing of water, the Managuans had never experienced a drastic two-days-per-week rationing of water, over approximately 10 months. Regarding this, an opinion given by the Nicaraguan Association of Engineers and Architects (ANIA) predicts that the INAA [Nicaraguan Water and Sewage Institute] will inevitably have to increase the number of days when water is rationed. INAA has said that even with the gradual normalization of the rains the level of Asososca has decreased by 18 centimeters.

Managua's Uncontrolled Growth

Since July 1979, 52 settlements have sprung up in Managua in an uncontrolled manner. There are 142 neighborhoods and no one knows how or when this growth, which causes particular social problems, will come to an end. The number of people in Managua must have increased, and perhaps we will soon reach one million, which is cause for concern. A government official was saying that it is the policy of the government to manifest indifference towards the inhabitants of these settlements, that is to say, not to install electricity, drinking water or any other service, in the hope that some day they may abandon the settlements and be transferred to uninhabited areas in need of population.

Migration from countryside to city is an old phenomenon that threatens big cities. It creates disorders, problems, and difficult situations for health, schools and housing, and fosters unemployment, idleness, parasitism and delinquency.

It is perhaps one of the oldest problems of the contemporary world, which inhibits progress because of an almost universal lack of planned growth. The growth of settlements requires new roads, health stations, schools, supply and storage of food, but rarely can nations cope with these demands. Managua is perhaps the Latin American city most affected by these settlements, harshly called in other countries "poverty belts" or "slums."

Street Maintenance

Perhaps Managua's growth was faster than the effort made by the mayor's office during the years 1981 and 1982, when overflow lanes were widened into parallel roads. This effort probably neglected the maintenance of the old streets and roads and the problems became worse when the mayor's office admitted publicly to not having the materials to make asphalt.

Soon potholes were commomplace in every city street, and they were worse in the road leading west, which even at the beginning of this year was the worst road in the world, perfectly suited to the destruction of automobiles and of human lives. Added to this and to the lack of asphalt, the serious condition of the streets still requires equipment, personnel, and more than anything else, continuous production of materials. During his appearance in the National Assembly, the former mayor of Managua, Samuel Santos, admitted that very few rolling cement mixers are left, besides which, the cement has been allocated for the construction of a road in San Francisco del Carnicero.

Maintenance of the streets is necessary not only for the city's appearance, but to contribute to the maintenance of the country's motor vehicles. Worse yet is the fact that along with the condition of our streets, Managua is a city lacking a good mass transportation system. The transportation system is poor because out of 750 buses needed by the population there are only 320 running on streets that are always in disrepair and not appropriate for the size of the buses.

Transportation

Even though transportation is not a problem of the Managua mayor's office but rather of the Ministry of Transportation, it is inseparable from it. Inseparable because in order to have a good transportation system there must be urban planning, streets that are adequate for the buses and trucks. A mechanic was saying recently that the government has made a mistake by importing and putting such big buses in such small streets. He explained that these vehicles suffer from constant overheating because they stop often and the transmissions are never shifted above second gear, so that the motors heat up.

Another factor that is part of the whole problem is the real and true absence of expert, responsible drivers. Do you, reader, believe that there are in Managua 400 drivers who really know how to drive a bus? Do they know how to shift gears, take proper care of the vehicles, in brief, are they drivers in every sense of the word?

For the last seven years Managua has not received or accepted advice from an independent expert regarding transportation. For example, the government, out of sheer arrogance, pays little attention to recommendations of those few persons who know about transportation in Nicaragua. One of these experts was explaining recently that Managua urgently needs public works such as the widening of the road to Masaya, at least up to kilometer 10, and a connecting road starting approximately where Las Americas road ends that would go south and join with the road to Masaya.

Garbage

Managua permits nine large refuse dumps in different areas. It is no secret to anyone that one of these dumps located on the Lake shore has developed a stench that defies any possibility of elimination. Nonetheless, indigents enter the dump to see what they can find to survive. These garbage deposits increase health problems and are eyesores.

The garbage problem also calls for: adecuate transportation, special streets or roads, special personnel, a budget,but more than anything else, the contracting of specialists in environmental decontamination who would help to alleviate this menace. However, the main goal of the mayor's office will be to study how we can solve the problem technologically and then take speedy action to resolve it.

Public Illumination of Green Areas, Parks and Sports Arenas

The problems of lack of illumination of green areas, parks and sports arenas can be summarized into one. The illumination contributes to the preservation of life itself for drivers, the physical safety of pedestrians, and it gives the city a different appearance. A dark city seems like a dead city and nobody dares go out at night. Green areas are very important for a tropical city like Managua, inasmuch as they help to cool the air and also serve as embellishment. Stopping the construction of parks contributes to the lack of attractions in the city. Parks are relatively inexpensive investments and are essential for children.

In Managua the indifference of the mayor's office is quite evident in the case of the monuments to two national heroes. One of the basket bearers in the monument to Ruben Dario has been missing an arm for six years and the monument in honor of General Jose Dolores Estrada is partly destroyed and its surroundings are rough fodder grass and abandonment. On the other hand, only one area of the central park looks like a garden. The mayor's office of

Managua has built only part of it, a very small part, by the way, in all of Managua during the last 6 years, and this was the Bill Steward Park.

Could it be that Managua is a castigated city like Havana? Or could it be that the resources are absorbed by the army, its need for an infrastructure, etc.? The truth is that there is no progress in Managua, and the government, through the mayor's office, cannot even provide maintenance to those things that the city needs.

If Erwin Kruger were alive he would forbid the singing of his song "To Managua", the city that he called "The Sweetheart of Xolotlan", which "with its lagoons of cellophane and its velvet nights", was built so that it has no equal. But Managua still exists. Let us all do something for her.

9907
CSO:3248/29

BRIEFS

COOPERATION AGREEMENT WITH SWEDEN--A total of 17,515,000 Swedish kronor (approximately $3,000) is the total amount of a cooperation agreement between the Swedish Government Agency for Scientific Cooperation (SAREC) and Nicararagua, the rough draft of which was signed yesterday in Managua. The agreement, undersigned by Jose Angel Buitrago, Vice Minister for Foreign Cooperation and the official from SAREC, Enrique Ganuza, includes technical assistance and equipment for the training of Nicaraguan personnel in different branches of production. These include research about racial groups in the Atlantic Coast, to be carried out by CIDCA along with the faculty of Social Anthropology from the University of Stockholm, and studies about the production of beans, which will continue to be carried out by the Directorship of Agriculture and Livestock Research in coordination with the University of Uppsala. Also INMINEH [Nicaraguan Institute of Mines and Hydrocarbons] will do a study on geology and mineralogy; in the investigation of labor related medicine, medicinal plants and microbiology [as published] at the same time that the INE [Nicaraguan Institute of Energy] will start a project on the use and manufacture of a system for heating water with solar energy. SAREC has been collaborating more and more closely with Nicaragua. The latest agreement, which included the period July 1984-July 1985, was estimated at 5.3 million Swedish kronor. The next 2-year period includes the signing of an agreement between the Swedish Royal Institute of Technology and the Simon Bolivar University of Engineering. [Text] [Managua BARRICADA in Spanish 6 Sep 85 p 5] 9907

POLISH DONATION--Corinto--The business adviser of Poland's embassy in this country, Estanislaw Hryajcat, delivered Friday, at the port of Corinto, 2,044 packages containing 62,000 articles of clothing for both sexes and 10,000 baby bottles for Nicaraguan children. At the delivery ceremony Comrade Hryajcat explained that the gift is worth $1 million and added that the people and the government of Poland will continue making common cause with the Sandinist people who struggle to consolidate the revolutionary process. For her part Comrade Graciela Silva, director of the Mixed Committees of the Ministry of Foreign Cooperation, on receiving the donation in the name of the government of the people of Nicaragua, said that we were grateful to the government and the people of Poland for their noble gesture, which is of great importance at this moment when our country is being attacked economically and militarily by imperialism. It is worth noting that the donation is a supplement to the donation of 900 tons of cereal that arrived last week at Corinto from Poland.

[Article by F. Thomas] [Text] [Managua BARRICADA in Spanish 10 Sep 85 p 5] 9907

DUTCH COOPERATION--The Dutch Government will help finance an emergency project to repair and refurbish hospital equipment that will begin in January 1986. The Dutch technical and financial cooperation totals approximately $7.5 million. Part of the fund will be used to set up hospital equipment maintenance shops. This will be carried out through contracts with international concerns, including the "Siemens" conglomerate. [Text] [Managua Radio Sandino in Spanish 1200 GMT 15 Nov 85 PA] /8309

SWEDEN DONATES FARM EQUIPMENT--The Swedish Government has donated, in solidarity with Nicaragua, $125,000 worth of farm equipment to the Heroes and Martyrs of Santa Barbara and Adolfo Barbero Luna cooperatives, both in Leon Department. The donation, consisting of two tractors, sowing attachments, a radio communications system, eight mobile units to take care of sick animals, and two sets of artificial insemination equipment, was delivered to the cooperatives by Swedish Embassy officials. The regional director of the National Union of Farmers and Cattlemen, UNAC, and an official of the Agricultural Development and Agrarian Reform Ministry, MINDINRA, attended the ceremony. [Text] [Managua Domestic Service in Spanish 0300 GMT 16 Nov 85] /8309

HUNGARIAN DONATION--A gift of typewriters for technical education, blankets, notebooks, pencils and other school supplies was delivered yesterday to Father Fernando Cardenal, Minister of Education, by Comrade Bela Kalauz, first secretary of the Hungarian Embassy. The donation was sent by the Solidarity Committee and the Union of Hungary's Communist Youth and constitutes a beautiful gesture of solidarity, brotherhood and love betweeen the countries. The school supplies that were sent were collected by the children of that country and their generosity with belongings dear to them is very meaningful. Bela Kalauz stressed the friendship between the two countries and pointed out that at the present time there are many Nicaraguan youths studying in Hungary. He added that the Hungarian people, and especially children made orphan by the Second World War, who today are men and women, know very well how terrible war is, for which reason with this small gift they want to ease the hopeless grief of those children. For his part Father Fernando Cardenal, was grateful for the delivery and said that those supplies will reinforce what the Revolutionary Government is doing in the field of education. He added that while imperialism wishes to subjugate us, the friendly socialist countries help us to defend and maintain education , which helps in the defense, according to the minister of education. [Text] [Managua BARRICADA in Spanish 10 Sep 85 p5]
9907.

CSO:3248/29

COMMUNIST DEPUTY ON APRA POLICY, IU FACTIONS, TERRORISM

Lima EL NACIONAL in Spanish 3 Nov 85 pp 10, 11

[Interview with Gustavo Espinoza Montesinos, PCP deputy; date and place not specified]

[Text] Question: The PCP [Peruvian Communist Party] supported Velasco in the development of a reformist government. Does that have anything to do with the PCP's passive attitude toward APRA [American Popular Revolutionary Alliance] which is also attempting a government of reforms?

Answer: What we supported in Velasco's process was his anti-imperialist policy that was translated into deeds, into tangible actions. In the case of the APRA government, these deeds still do not exist or are very weak. What does exist is the enunciation of an anti-imperialist policy. The PCP and all the IU [United Left] fight to advance from anti-imperialist talk to action.

In that sense, it is wrong to say that the PCP and the left have a passive attitude because we are systematically fighting from the popular movement, the working class, the mass organizations, daily political activity, and the Parliament to make the anti-imperialist policy concrete. That has been the meaning of our speeches in Congress about major events occurring in the country.

Question: In the past, the CGTP [General Confederation of Peruvian Workers] in which the PCP has a majority acted as an opposition force. It has not spoken out yet....

Answer: That is not true. A national strike has not been organized, but there have been mass mobilizations, major strikes like the banking one, struggles by workers in different enterprises and our active presence in the streets. We feel that it is not right at this time to propose a national strike--and I emphasize at this time--because the APRA government is different than the Belaunde government. If we compare the two governments, we can easily conclude that the APRA policy does not seem to be as antilabor and antipopular as the Belaunde government which directly represented the financial capital interests.

An obvious example at this time is the discussion of the Labor Stability Law in the Chamber of Deputies. Not only is it infinitely better than Law 22126 but it is better than the bill sent by the Executive Branch. It is even better than the majority finding proposed by the Labor Commission. This demonstrates that the law is being substantially improved through debate, the speeches of the IU parliamentarians and the fights of the workers.

Question: The IU is facing serious problems finding a road to organized opposition. There are loud voices that clearly reflect the differences concerning a concrete position toward APRA. Outside of signing public agreements, how will these problems be resolved?

Answer: It is obvious that the IU faces problems and that its actions have not been meeting the needs of the popular movement. This is not just maintained by the PUM and UNIR leaders, but by all the parties, even Alfonso Barrantes himself. There is no need to verify that the IU has problems; there is no disagreement about that. The discussion now focuses on why it has had problems and how to resolve this situation. There are forces in the IU that find it very easy to make Barrantes responsible for this, but they do not make any effort toward self-criticism. It is necessary to point out that the PUM and UNIR are also responsible for the problems of the IU due to their failure to help facing the so-called "crisis."

We do not believe that the differences in the IU can be attributed to one person or to one or two parties. One of the aspects that unquestionably generates problems is sectarianism, ideological primitivism, which is not just the patrimony of the PUM or UNIR. We can verify the existence of sectarian, primitive and anti-unity elements in all the parties. There are, of course, correct, sensible, pro-unity comrades in all the parties,too.

I must point out that the pro-unity elements are much stronger than the divisionist elements assume.

Question: You do not admit that another problem of the IU is the fact that its most noted representatives have been absorbed by Congress or the "representative democracy" which communism rejects ideologically.

Answer: That might have occurred to some comrades personally, but not to the parties. I admit that there are those who live outside the popular masses and who are attracted by the "bourgeois democracy," but this phenomenon cannot be generalized. The IU has been able to maintain and defend its profile. It has not been reduced to criticizing the bad and supporting the good in the APRA government. It is involved in a concrete struggle to open the way to democratic and anti-imperialist transformations in the country. This can be observed daily in parliamentary debate where confrontation with the APRA group is obviously not the product of conciliation, but the result of different concepts.

Question: There are aspects like the treatment of the foreign debt problem and the price control policy where there is apparently substantial agreement....

Answer: It is obvious that both constitute a step forward. In the case of the foreign debt, however, there are major differences. The APRA government has not gone beyond anti-imperialist words to take a position, through deeds, against financial capital. Also the supreme decrees published by the APRA government in August and September which are the only provisions on the foreign debt seem like two drops of water compared to the decrees of the Belaunde government promulgated in February 1985.

As to the price control policy, it should be pointed out that it is very good in words but it is unrealistic. To give one example, the government froze the price of rice but only one type of rice that is not found on the market. However, the variety that the housewives see does not have a fixed price.

This contradiction between what Alan Garcia's government says and does can be seen in the official figures from the Central Reserve Bank on the foreign debt. In August and September, $68 million were paid to our creditors. If that trend continues, in 6 months we will have paid $408 million and, in a year, $816 million. These amounts contradict the government's verbal position to pay only 10 percent of the export revenue.

Question: Let us go on to another topic, deputy. It is obvious that Shining Path has entered a stage of more radical actions here in Lima, having to its credit the assassination of the director of El Fronton, Miguel Castro. This can be interpreted as a response by the Shining Path "staff" to the confiscation of weapons by some contingents in Ayacucho. Is there any way to confront Shining Path?

Answer: In the first place, not all the attacks can have been executed by Shining Path. They can be attributed to it as a possibility to be confirmed. When these deeds occur, we must think about other factors and analyze in what context they occur and whom they benefit. Obviously if we analyze the current context, we will see that those who are interested in creating a climate of anarchy and chaos in the country are imperialism and the far right because they are the only force that is really in the position to benefit from that situation in their attempts to impose a fascist dictatorship. This dictatorship would be more capable than even the Belaunde government of making the dictates of the IMF and the interests of financial capital prevail in the country. In our opinion, there is a fascist nucleus of civilians and military acting in the country.

Question: Doesn't it seem to be an exaggeration to state that there is organized fascism at this point?

Answer: Not at all.

Question: You can give us the names of its promoters....

Answer: Due to his political statements, we could, for example, assume that men like General Cisneros Vizquerra, retired, work in that direction. His recent statements to EL NACIONAL--and before to CARETAS--openly justify an extermination policy, arguing that, in his opinion, all wars are dirty. This demonstrates his complete support of the most reactionary military nuclei.

We thought that the most reactionary groups were in the Navy which, as we recall, produced terrorist groups that attacked Admiral Faura Gaig and Admiral Arce Larco and, later, Cuban ships. However, after hearing General Noel's statements in Ayacucho, we can only assume they are also in the Army.

Naturally, there are also civilians who justify the genocidal policy like Senator Andres Quintana who, despite being a member of the Human Rights Commission, rejects trying the military who carried out the massacre of Accomarca.

Ulloa and Benavides Ferryros who are agents of the IMF and instruments of financial capital lean in that same fascist direction. We could place Luis Percovich here. He covered up the perpetrators of the attack on Jorge del Prado in March 1984 and protected his advisers, like Luis Lopez Vergara, directly linked to mafias of smugglers and traffickers.

As can be seen, if we put all this together, we have a power capable not only of justifying a terrorist policy, but also capable of carrying it out.

Question: Can the actions of Shining Path and of the alleged fascist cell be differentiated?

Answer: It is necessary to make a meticulous investigation which can only be done with government resources. It is very difficult, even impossible, for the opposition or the masses to find evidence. Unfortunately, the APRA government does not demonstrate interest or willingness to discover these fascist ties as Argentina has done.

The recent kidnapping of the owner of the El Embajador Grill was carried out by a GR [Republican Guard] in active service and members of the PIP [Peruvian Investigative Police]. It has also been established that other members of the GR committed hold-ups to get money. It should be asked: Why do they want money? To live better or to finance subversive operations like those that occur in the country each day?

Question: In other words, you are exonerating Shining Path of the criminal actions that are causing mourning in dozens of families?

Answer: It is obvious that Shining Path exists and that it carries out armed actions and even terrorist activities, but it is also clear that it does not have the organization or the fire power needed to carry out such precise raids. It is even very debatable whether the many peasants or students imprisoned in the CRAS of Lurigancho can have had enough operational capacity to oppose the police intervention which ended in the massacre that the APRA government does not want to clear up. In any case, they would have had to have acted with open protection of the police or with their complicity.

In the murder of Miguel Castro, it is necessary to look at the motivations and direction which are different from those for a car bomb. Castro's murder would have to be tied to the activities of Castro himself in his questionable administration of the prisons.

7717
CSO: 3348/200

PCP-PR SECRETARY GENERAL DISCUSSES ISSUES

PY131340 Lima LA REPUBLICA in Spanish 27 Oct 85 pp 20-23

[Interview granted by Peruvian Communist Party-Red Fatherland, Secretary General Alberto Moreno, who admits that this name is an alias, to LA REPUBLICA reporters Mirko Lauer and Ismael Leon--time and place not given]

[Text] LA REPUBLICA: Mr Moreno, perhaps your most remarkable characteristic is that you chose to remain underground much longer than other leaders who did so or toyed with the idea. It is obvious that this option of staying underground or not reflects a position as to whether what we have is indeed a true democracy, not only as far as security goes but also regarding the freedom to interact with the masses. What has happened in the country that prompted you to take this step forward, that is, to come out into the open?

Moreno: One of the main reasons is that today, more than ever, there is need of my help to develop a vast organized mass movement. It is obvious to us that there is a chasm between organized political parties and large sectors of the population that aspire for a political organization, something that is possible to attain through a revolutionary organization. The organized political parties are a step behind the masses. I could do very little as long as I remained underground.

LA REPUBLICA: To what extent and in which direction would Peruvian left-wing parties have to go in order not only to represent but actually to epitomize the mass movement in Peru?

Moreno: I believe that they should change quite a bit. First, these parties must seek true superiority, they must become the true leaders of the vast movement of the masses. In the second place, there must be a drive to organize the movement of the masses that mostly, because of mistakes by my own party and the left in general has been unable on the spur of the moment to go beyond outbursts anda behavior basically oriented toward economic goals. This is one of the great historical responsibilities that Peruvian communists have. If we do not manage this, if we are unable to go beyond the disorganized outbursts and their purely economic objectives, the revolution does not have many real chances of attaining victory.

LA REPUBLICA: When you talk about economic goals, do you mean the role that labor unions and their struggle after labor gains have played in the growth of the left, or is there something else?

Moreno: There is much more to it. The concept of political leadership directed at the attainment of gains or the fulfillment of economic goals should not be blamed on the workers. This policy has been followed by organized parties and has a background of several decades, something which, unfortunately, is not always well understood. Furthermore, since it is of such longstanding, not much is being done to understand its reasons.

LA REPUBLICA: Mr Moreno, you are one of the very few leftists who has used the term "direct democracy." What does the expression "direct democracy" mean to you?

Moreno: I believe that it is a key phenomenon. I would say that it is a remarkable development that is taking place in this country, a democratic structure that is being born of the masses. The chasm between political parties and the masses is frequently the result of the parties' inability to recognize the new elements that have come up from the bottom ranks, spontaneously perhaps, opening up a whole new world of possibilities. In the final analysis, direct democracy means acknowledging that the masses play a leading role in society, in the process of change that societies undergo. Their role is such that if we truly want to democratize society, it must be allowed to participate directly in the building of democracy, [starting] from the bottom.

LA REPUBLICA: Mr Moreno, I would like you to tell us about your 20 years of experience underground. I would like to know how has this experience affected your view of the country and your relations with the people.

Moreno: Perhaps my attitude in these two areas is directly related to my experience underground. We staged a rebellion in 1968 against a political attitude and the markedly personalistic behavior of the leaders, seeking to bring about a change of course in politics. We are working on this, and we hope that this quest will be assumed by the rest of the country, or at least the revolutionary parties. With this in mind, we have kept in constant touch with the rank and file. Many of our proposals are closely tied to the feelings of the rank and file. We are gathering their input, the input of new elements that are emerging from a particularly rich process. My impression is that politics is still being viewed as a quest for certain superficial and transitory issues and gains.

Our effort is aimed at building the party, putting its ideology and programs together, above and beyond other issues which, though important, can be taken care of later.

LA REPUBLICA: I was asking you about the underground because your experience is, to some extent, unique. The rest of the left-wing parties participated in the most recent elections on the same footing with other legal parties. However, in 1978 your party abstained from participating in the elections for the Constituent Assembly, but 2 years later you changed your mind. Why didn't you want to participate in 1978, but were willing to do so in 1980 and 1985?

Moreno: In 1978 we felt that the developments in the class struggle made it necessary for us to take a political stance. We made a mistake then by calling for a boycott. Conditions were no longer favorable for a boycott, but we were worried about something else, we were trying to prevent the neutralization of the strength that we had accumulated since 1970 that was being sought through a pretty clear-cut scheme prepared by General Morales Bermudez. That is what we were worried about.

LA REPUBLICA: Just a short while ago you said that the economic approach was to blame for the lack of growth of the massmovement, and especially for blocking the participation of the left. Those are your limitations, but to what do you attribute the electoral success ofthe American Revolutionary Popular Alliance [APRA]? Don't you consider that it is a success of the masses above and beyond the elections themselves? And in any case, whether or not this success goes above and beyond elections themselves, to what do you attribute it?

Moreno: As far as I am concerned, there are many factors. First of all, there was a widespread consensus after the obvious failure of the program enacted by the previous government. The people felt that a partial turn toward APRA was more suitable and trustworthy than a turnaround toward the left, which has been unable to give the people straightforward ideas and proposals in its programs.

LA REPUBLICA: There are some critics within the United Left [IU] who are accusing the movement and its leaders of being at odds with their principles, of fostering, to some extent, the predisposition of the masses toward more moderate options. Thus, they score anything that they see as excessive similarity of style between the proposals of the IU and those of APRA. What do you think of this?

Moreno: I would say that this is one of the causes of the IU's current crisis, because that is what we have, a crisis. It can be overcome, of course.

LA REPUBLICA: Would you define it as a growth crisis?

Moreno: It could be, but more than anything else it is an identity crisis. If the IU has a project but is unable to act in keeping with this project it is bound to lose ground, and if it loses ground it ceases to be a feasible option capable of awakening the enthusiasm and support of vast sectors of the population that want a change, that want this country to move forward...

LA REPUBLICA: How far does the independence, for lack of a better word, from APRA go? Does it mean radical opposition? Does it mean a sort of pro-forma opposition, which seems to be the case now? Is it a little of one and a little of the other?

Moreno: We are against something that has actually been happening without there being any sort of formal agreement. This tactic could be summarized as follows: support for APRA's positive points and questioning its negative ones. If that is all a tactic amounts to, it is not right because it precludes the left from playing an independent role, it takes away its initiative and compells it to adjust its actions to whatever APRA choses to do or not to do.

We have to talk about planned opposition, an opposition based on differences between options at play, because this country is going through a crisis; not a temporary crisis, as some people believe, but a structural crisis. What one must look for is solutions to the situation resulting from the structural crisis without neglecting the quest for partial solutions to contingency problems.

LA REPUBLICA: Does this mean that your programs do not coincide with those of the IU, or does it mean that IU programs are governed by tactical considerations, like the ones you mentioned?

Moreno: What is actually happening is that the IU is behaving strangely. It has a very meaningful government program, but there is a chasm between its program and its actual behavior, and this chasm is one of the causes of the crisis.

LA REPUBLICA: Do your people still believe in violence as the people's last resort in the struggle for power? If this is the case, what is the difference between you and the Shining Path?

Moreno: It has been historically proven that violence is the result of external conditions and the dynamics of class struggle. It is beyond the wishes and the will of the people. In thiscountry people believe that violence is inevitable if there is a revolutionary effort to change society. The difference between us and Shining Path is that for us, violence is an extension of the political struggle when all other channels have been closed and the masses have no other means to make their rights prevail. But violence can never be a voluntary act. Neither can violence per se be considered a factor of strength.

LA REPUBLICA: Did you discuss this with Abimael Guzman [top leader of Shining Path]?

Moreno: I hardly know him.

LA REPUBLICA: Or at least with his party?

Moreno: At that time, meaning the sixties, the party was on the wrong track. It worshipped guerrilla warfare, as we said at the Fifth Congress. Violence was the determining factor of whether one was a revolutionary or not. When we broke relations with Paredes's faction in 1969, we released a communique stating that the most urgent task of the Central Committee was to go into the field to organize an armed struggle. Personal considerations, the power balance at that time, the true condition of the party, which was almost utterly destroyed at that time, were not taken into consideration. The prevailing feeling was that something had to be done. However, if conditions are truly inappropriate, the will to do something is meaningless.

LA REPUBLICA: What role do you think the APRA administration will play in accumulating conflicts or toning them down?

Moreno: The basic problems the country is facing must be resolved.

LA REPUBLICA: Is APRA solving the problems? Is it beginning to solve them? Do you think this administration has a chance?

Moreno: My personal feeling is that the APRA administration is attacking the effects of the problems, not their causes, and as long as it keeps directing its attention at the effects and transitory problems, enacting contingency measures capable only of alleviating the problems, there will be no in-depth solutions.

LA REPUBLICA: In general terms, people are aware of the importance of the Red Fatherland faction, not only because of its constituency within the left but also because of the nationwide influence it has had, especially since the great teachers' strike in 1971. However, it would seem that there is a sharing of influence within the left. It is known that the PUM [Unified Mariateguist Party] is deeply imbedded in intellectual circles. It is also known that the PCU [Peruvian Communist Party-Unity Faction] has close links with the labor unions of the bureaucracy. It is equally known that Alfonso Barrantes [Lima mayor] and those around him have comparatively more advantages than the independents and the moderate sectors. But you are no longer in control of 100 percent of the teachers because you must share this control with other parties. Your influence in the university has decreased, although it is perfectly obvious that recently your constituency has been growing. In your opinion, where is the social foundation of your party, which once upon a time was called the Red APRA, positively or derogatorily I am not sure?

Moreno: I do not believe that we could be called the Red APRA. Our red is a different kind of red. No left-wing party can be said to have total control of the sectors you have mentioned. The social movement has undergone too many changes lately for any of these parties to have political control. The influence exercised by union leaderships is frequently mistaken for true grassroots influence. This is a risky mistake. We are currently working to establish our presence among various social sectors and to stop relying mainly on the students. The student movement is unstable, and many of the problems we have had were caused by the very instability of this movement. The teachers sector is very important in this country. It enabled us to gain nationwide influence, and it is a means of ideological dissemination with enormous potential. But we are also doing our best to improve our relations with the working class, which is our natural social ally, and we are also trying to organize a peasant movement.

For example, we recently held a congress of Cajamarca peasant militias that was very important as far as I am concerned. It was attended by 850 full delegates, who truly represented the rank and file. There were no manipulations, no impositions, the rank and file merely stated their preferences. We are moving forward and working according to a thesis that advocates the building of a political foundation, a solid foundation, rather than a shaky leadership.

LA REPUBLICA: Would you say that this now obvious historical need to establish a strong relationship with the social movement that has a structure of its own, unlike that of the political parties, will lead to changes in traditional Leninist concepts on party organization, democratic centralism, and the leading role a party must play?

Moreno: Not as far as basic principles are concerned. The thing is that sometimes the structures of other parties outside the country were copied almost to the last detail. We believe that democratic centralism is an essential rule of organization, but the manner in which it operates, the way in which problems must be solved, must take into account the circumstances and conditions prevailing in each country and the level attained by the revolution. Principles cannot be applied by the book, they are not a set pattern. In my opinion, the revolutionary process and the organization of a revolution is the most creative endeavor there is. There must be much initiative, much creativity, a sustained quest for new prospects in keeping with the prevailing conditions.

LA REPUBLICA: In your opinion, what are the most creative popular organizations that have come forth from the people in the last few years?

Moreno: I believe that there are three main ones: the peasant militia and other self-defense bodies that are self-governing organizations springing from the rank and file; then we have the defense fronts that wherever they have cropped up they have encompassed vast sectors of the population, but unfortunately their potential is being wasted; then we have new types of organizations such as Soviet-type popular assemblies, probably limited, sometimes different among themselves, but all of them making valuable contributions, in our opinion, to the development of the revolutionary movement in the country. Now, whether we will be able, and to what extent, to guide them in a given direction, how good will we be at gathering the positive factors and growing in that direction, that remains to be seen. That is the challenge.

LA REPUBLICA: I would like to go back to your underground experience. From this period we recall the most bitter struggle against the military government waged by SUTEP [Single Union of Education Workers of Peru]. What role did you play in that long strike that made the Morales Bermudez administration reel all over?

Moreno: The whole party played a role. Leaders like Horacio Zeballos and Cesar Barrera were openly and publicly at the head of that movement, and Comrade Hurtado was in charge of the movement's practical aspects. The party participated as a whole, and this movement actually set the course for many later struggles, because through this movement we accompanied something very important: the mobilization of the masses, not only after certain gains, and to make them understand their own potential, foster confidence in themselves, and help them overcome their fears, which were quite a few in those days.

What was the negative side of this from the point of view of the party? We failed to make this antidictatorial and vindicatory movement rise to the appropriate political level. To some extent it got bogged down in its vindicatory aspect and did not move any further.

LA REPUBLICA: As you well said, there is the economic approach, but isn't there also an electoral approach? Some critics of the electoral approach have drawn a curve showing that the growth of the left-wing constituency has been accompanied by a decline in the purchasing power of the workers, the highest point of the curve being just after the departure of the Belaunde's administration. What is the price in terms of support by masses that must be paid for participating in the elections?

Moreno: Of course there are parties that go too far. In a country like this one, where Congress has limited elbowroom, there are some who believe that the balance of power is measured in terms of votes and the number of congressional seats a party obtains. Our assessment of political strength is not based primarily on these factors. To us the main consideration is whether the party is able and capable of organizing and influencing the masses. That is why it is necessary to obtain the proper combination of congressional and field actions. For instance, we believe that the battlefield of the struggle between the IU and APRA is not in Congress, it is among the masses. Whoever gains political, ideological, and also union supremacy among the masses will be able to consolidate his political clout during the next administration.

LA REPUBLICA: Mr Moreno, I would like to touch upon a more current issue. What is the status of the discussion about the representativity of the IU National Executive Committee? Do you believe that there has been a change in the balance of power since the elections?

Moreno: In my opinion, the balance of power among organized groups within the IU has remained relatively stable since the elections. Perhaps the elections allowed us to make a more precise assessment of this power balance, but they did not determine it. Furthermore, we believe that if we want to have a proper front, it should not be based on lesser or greater power but on projects, options, proposals. Unity itself must be sought along these guidelines. We have always opposed two kinds of struggles for power: the big ones that try to manipulate and devour the small and the small ones that want equal treatment at whatever the cost. We believe that unity is attained through a straightforward policy that should do its best to avoid throttling the initiative of others and restricting their elbowroom. I would say that a serious unitarian policy cannot be based on smothering our allies, but on helping them to gain strength so as to grow together. Why did we join forces in the first place? To become stronger.

LA REPUBLICA: Speaking of this unity, how far beyond the left does it go? I would also like to ask about something that seems indicative: Over the 30 minutes that we have been talking, you have not mentioned the world socialism. What kind of unity and what kind of socialism do you advocate?

Moreno: Nowadays the main tasks that must be tackled in this country are democratic and national problems. These issues constitute the axis of the IU's unity at this point. But at the same time, it is accepted within the IU that the final goal is socialism, that the natural objective of this movement is socialism, but no IU document describes the kind of socialism we have in mind or how this socialism will be built. This is something that has not been discussed so far. Furthermore, if we want unity we will have to leave aside all ideological disputes. Political aspects are more important now because if we direct our attention at ideological aspects, it would be impossible, for example, to reach a compromise with the very many Catholics we have in the IU. We are Marxist-Leninists, but we cannot force anyone to uphold our principles in order to join the IU. Therefore, in the IU we have put ideological problems aside, which does not mean that each party does not defend the positions it advocates. The exacerbation of ideological aspects in any front is bound to make it fall apart.

LA REPUBLICA: Going back to the issue of unity, is this decision to leave ideology aside for the time being and seek political progress a tactical attitude? Does it mean that the desire to work with the Christians of this country is not part of a long-term strategy?

Moreno: This is a long-term political decision. Even if we had socialism, our goal would be to unite at least 90 percent of the population, and most certainly this 90 percent is not going to be made up of communists alone. Nowadays, if we take stock of registered militants in all communist parties, I believe that we will find that they are less than 1 percent of the country's population. The IU at least means the chance of bringing together vast sectors that have something in common: they want an in-depth democratization, they want administrative decentralization, they want an anti-imperialist struggle, and most of them want socialism.

LA REPUBLICA: Speaking of socialism, what kind of socialism do you have in mind? I am asking you again because I would liketo know whether your brand of socialism means that the state will own all means of production. Will there be any room for private property? What kind of freedom will there be?

Moreno: The economic aspect will require long-term development, it would take quite some time. I am unable at this point to say how long. There are bound to be small land owners, because the peasants cannot be forced to accept socialization. Our principles advocate free will, not imposition. As for the political side of the issue, we do not believe that socialism and democracy are incompatible. True socialism must have thoroughly democratic roots. One of the principles in our program is: "We want the people to be the only owners of the country." The party must never take the place of the masses in the building of socialism or in the reaping of its benefits. The party must lead, but it can never be a rider astride the masses. It must not get bogged down in bureaucracy, nor believe that it owns the state. The party must rather create all the necessary mechanisms to allow the people to gradually assume control of the state. The party leads it does not nor must it ever take the place of the masses, because if it does so the revolution could lose ground and meaning.

As for political freedom, if socialism can prove that it is capable of solving the problems, it will show that it is feasible and the only possible option, so why should it fear anything? If there is no debate, no discussion, no risks, no exchange of opinions, society becomes stagnant.

LA REPUBLICA: Does this imply pluralism, coexistence with other political parties and periodic elections?

Moreno: I believe that under socialism there will be more than one party. Which will those parties be? That will depend on the way the situation develops.

LA REPUBLICA: I would like to go back and address the situation of the country over these last 20 years. Your organization, as well as many other leftist organizations, assumed a strongly critical position toward General Velasco Alvarado's administration. However, a few years later many left-wing parties became staunch defenders of some of the reforms undertaken by his administration. For example, the agrarian reform, especially when it started to lose ground under Morales Bermudes or Belaunde, the educational reform that the teachers know all about, and also the industrial communes program. Looking back over those 15 years, what is your evaluation of this special phase in the history of the country?

Moreno: At the fifth congress we made a critical and self-critical assessment of this period. We did make certain mistakes. We described reforms undertaken by the administration as bourgeois, and I feel that facts have proven that these reforms had limitations which is why they were unable to solve the country's problems, and this has been proven as well. But our mistake was the failure to understand that the Velasco Alvarado administration was to some extent at odds with imperialism and that certain reforms, regardless of their limitations, were valuable, that they contained certain elements that we should have taken into account and given them due value. We made a self-critical assessment of the situation and learned our lesson.

LA REPUBLICA: In keeping with the IU government program, what is your current attitude toward agrarian reform? What should be done in the rural areas to improve this reform that has been inherited in very a sorry state?

Moreno: I believe that the agrarian problem is the core of every debate throughout the country. Ever since the Constitution was promulgated, everyone has been talking about giving priority attention to agriculture. We agree that the agrarian problem is one of the main problems that have to be solved. Basically, the aspect of land ownership has been resolved in the past, but the situation in rural areas remains critical. From our point of view, the agrarian problem should be solved by taking the following steps: Every effort must be made to avert the rebirth of large estates; the cooperative system must be strengthened by improving its management and democratizing it; the problem of people owning land plots insufficient for subsistence has to be solved. On the other hand, without a true overall decentralization, it will be impossible to promote development in rural areas. In the third place, there must be a link between agriculture and industry, which calls for the development of energy sources in the country. Without power, without electricity it is impossible to develop the countryside. This country is not integrated, not even by roads, so all these problems must be overcome. Most probably the countryside is the main tool for coping with unemployment. It would be difficult to find a feasible solution through industrialization.

LA REPUBLICA: Going back to the assessment of administrations and people, what is your evaluation of Fernando Belaunde's 5-year administration?

Moreno: Belaunde's approach showed how a country can be destroyed. It demonstrated how far subordination to alien interests can go, and also the extent to which the protection of privileges can lead to a worsening of social conditions, unemployment and misery.

LA REPUBLICA: To what extent is the left of those days to blame for having voted for Belaunde in order to block the way to APRA?

Moreno: I believe that there is a bad tradition in this country, the so-called wasted vote, which is sometimes considered the lesser of evils. Perhaps this is the reason vast sectors of the population have no political commitment to any party or any specific program that they can carry out and support. These are practically shifting masses that may feel some sympathy toward given parties but they actually do not find them too different from others, and perhaps those others offer them some temporary advantages, so they go ahead and vote for them. However, this part of the population has no proper political training, and I believe that this is one of the problems that must be solved.

I do not think that the true left has voted for Popular Action [AP]. What I believe is that there is a sector of the population that leans toward the left, but may have voted for the AP in order to block the way of the threat that they thought APRA stood for.

LA REPUBLICA: What is your assessment of President Alan Garcia, that is, Alan Garcia, the political leader? Does he constitute a change in the APRA that we have known all these years? Does his style of government have a different pattern? What does the future hold in store for him, according to you?

Moreno: I believe that Alan Garcia has updated APRA's style, he has made it more aggressive, more daring, and also somewhat unscrupulous, because his slogan is "Peru for all Peruvians," and that implies lying to everyone.

LA REPUBLICA: Does this mean that you do not believe that the modernization of APRA implies a radicalization as well?

Moreno: It remains to be seen whether it is an essential radicalization or a superficial one.

LA REPUBLICA: What is the difference, according to you?

Moreno: It is not a simple matter, APRA's radicalization has not led to a solution of the basic problems of this country. I have already said that APRA is addressing secondary problems, side issues. The main point is that thanks to the masses, the APRA has majority support to make changes, and APRA should lead them into a battle against the right. APRA's current dispute is with the left, because the current political field is divided between these two options.

LA REPUBLICA: Then a simplistic assessment would indicate that nowadays the masses have two options instead of just one.

Moreno: The masses did not vote for APRA's government program, but for Alan Garcia, and to some extent this happened in the left as well. What the masses want is an improvement over the situation prevailing in the past, but this does not mean that there are two options for a drastic, radical change in the country. From our viewpoint APRA's aspiration is at best to modernize capitalism while the left wants socialism for the country.

LA REPUBLICA: Is this second option epitomized by Alfonso Barrantes?

Moreno: We are trying to make the left and certainly its leaders epitomize this option.

LA REPUBLICA: Let us delve into this subject a bit more. What role has Alfonso Barrantes played within the IU and even earlier when together with many others he participated in the ARI [expansion unknown] drive for unity around 1980?

Moreno: I believe that Alfonso Barrantes has considerable personal clout in this process, but I am afraid that by overestimating the role that one's personality can play, the people are neglecting the clout of organized political groups. The people are failing to take into account the dynamics of the social movement and the factors that pave the way for unity. Within this framework and bearing in mind that the left is made up of many trends, several of which are the result of severe internal conflicts in the past, there was a need for a person capable of acting as an arbiter. We have arrived at that point.

From now on the main objective is no longer unity, but becoming an option and the leadership must be chosen on the basis of its ability to guide us in this direction. I am talking about group leadership, not individual leadership, because there is no point in arguing about individual leadership. I am talking about collective leadership. It is high time for us to foresake the caudillo approach. In fact, caudillos are repugnant to me, even if this word may be too strong. The tendency should be toward collective leaderships, without detriment to the role that each one of us may play as an individual.

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CSO: 3348/186

FIRST 3 MONTHS OF GARCIA PRESIDENCY EVALUATED

Economic Accomplishments, Difficulties

Lima QUEHACER in Spanish Oct/Nov 85 pp 10-13, 16, 18-21, 24

[Article by Javier Iguiniz; passages enclosed in slantlines printed in boldface]

[Text] I. Introduction: Growth with Sovereignty?

Since 28 July, Peru has been clearly dominated by politics. The economy is still, above all else, the area in which politicking takes place; it is the main topic of speeches, the justification for strategic postures. Food is the topic of the day.

Short-term economic policy aims at coming somewhere near discourse, and the latter in turn ennobles economic policy by relating small measures to the larger directions of President Garcia's radical redistribution plan.

For the time being, the political offensive is contributing to economic efficacy; many businessmen have accepted economic measures such as the price freeze while they are sizing up Alan Garcia, determining what issues will win them his ear, and negotiating concessions. The state is already strong in Peru, and they still find it unlikely that the radical anti-rich, anti-Lima, anti-industry and anti-monopoly rhetoric will translate into such negative deeds.

The concern among these sectors is growing, however; since the electoral victory, the message in favor of the poorest has become more radical, and the political campaign continues. On the other hand, the government's desire for economic reactivation and the financial concessions that have been made reveal a genuine concern about their earnings. The institutional order is not in jeopardy, as it was under Gen Velasco. But who will pay the cost of meeting the poor's needs? In the first 80 days, the time to define terms has not yet arrived. The 1986 budget will be the first round of the real fight.

As the weeks go by, however, the economy is already beginning to be the arena for testing the sincerity and soundness of political rhetoric. In Peru, intentions are not enough to garner active support. Little by little, economic effectiveness is emerging as an evaluative criterion after the clamorous political impact of the battle against drug trafficking, police corruption, the International Monetary Fund (IMF), etc., etc.

In fact, the government has turned the economy into a proving ground for political efficacy. The success or failure of the political stance against the IMF, the United States and the creditors depends on the ability to reactivate the productive apparatus without generating losses in the level of Net International Reserves and without being forced to resort to additional external financing.

The political position in favor of democracy has a highly economic content, because it is expressed in the redistribution and decentralization program that was the centerpiece of the campaign. In short, it amounts to adding bread to freedom.

Growth with redistribution, but /growth with sovereignty/ and /redistribution with democracy/ are the economic-political criteria that the election campaign of the two principal political organizations placed on the agenda. The results of the election constitute a clear and unquestionable endorsement of those criteria, and Alan Garcia's task is to carry them out.

Is the government moving in that direction? We will first describe the immediate circumstances under which the new government has inherited the economy, the first package of measures and the results that can be discerned with the information available at this time. Then we will sum up the second package of measures, and in a brief third section we will explain the short-term options that await in the immediate future.

II. The First 60 Days: Inconclusive Anti-Inflation Battle

28 July: Neither Far from nor on the Verge of the Abyss

The circumstances under which the new government has inherited the Peruvian economy were undoubtedly much worse than those prevailing when President Belaunde inherited it. No export boom has taken place in the preceding years, and the outlook for external financing has grown much worse. In addition, the prices of our principal exports are at extremely low levels. There is therefore little leeway for maneuvering in the short term, but at least there is some.

It is interesting that the new government has attributed so little importance to the economy it has taken over. Clearly its vision of the future and its desire to try new paths take precedence over the search for culprits in the past. Nevertheless, it is also true that the new government has been given something of a headstart in the short term. The primary reason does not lie in the favorable conditions of the world market; rather, it can be found in the severe recession in the Peruvian economy and the drastic adjustments made by the outgoing administration. Moreover, it is possible that the available foreign exchange can be reallocated to a certain extent, which adds some measure of freedom.

The level of Net International Reserves as of 31 July was equivalent to about half of one year's imports, which provides some respite. The Balance of Trade showed a surplus at mid-year, after the severe cutback in imports, and that also alleviates the situation a little.

Furthermore, the economy has been undergoing devaluations higher than the rate of inflation for most of the period between 1980 and 1985, so there is no urgent need to devalue the currency or any call for entirely strict controls on imports of goods. The official devaluation between July 1980 and August 1985 amounts to 31.2 percent higher than the relative rate of inflation in Peru, with respect to our principal trading partners.

In contrast to this foundation of economic health that was "conquered" between 1983 and 1985, at the expense of poverty among the people, we find declining international prices. The buying power of traditional exports was 82.9 in the final quarter of 1984 (1977 = 100); it fell to 80.2 in the second quarter of 1985, and then to 76.4, 74.9, and 73.8 between July and September. Copper, silver, zinc, fishmeal and coffee prices have been plummeting continuously since July.

Similarly, the loans negotiated in 1984 and 1985 were for very small amounts, which reduces the immediate prospects for new disbursements. In the fiscal sphere, the adjustment in spending has been significant, although this excludes the major impact of the decision to pay a small portion of the foreign debt services. Between 1984 and 1985, remunerations fell from 3.7 percent of the GDP to approximately 3.0 percent, according to the end-of-year projection the government is currently working with. Current spending on national security has fallen from 5.6 percent of the GDP to 4.0 percent; capital spending went from 4.0 to 2.9 percent. All this points to the existence of a typical policy of cutting domestic public spending.

But the most substantial reduction is the servicing of the foreign debt. Principal payments dropped from 7.6 percent of the GDP to 1.4 percent, while interest payments shrank from 5.5 to 1.3 percent. Of the central government spending cuts between 1984 and 1985, which amount to an incredible 14.4 percent of the GDP, 10.6 percent corresponds to the non-payment "policy."

On the revenues side, the most positive aspect has its own problems. Still using the projected figures for 1985, we see that the tax burden rose from 13.6 percent of the GDP in 1984 to 15.3 percent in 1985, but the change is due to the greater weight of indirect taxes, specifically the tax on fuels, which went from 3 percent to 5 percent of the GDP.

In short, from the standpoint of the immediate period, the economy inherited by this government has a little room for maneuvering, especially if the goal is to reactivate the economy without altering political objectives or the sources of conventional resources. How has this leeway been utilized so far?

First Short-Term Measures: Wavering Break

The presentation by Economy Minister and Council of Ministers President Luis Alva Castro in early August set the tone of the official approach. In his diagnosis, inflation is characterized as a recessive factor derived from "cost pressure," in contrast to the orthodox theory that inflation stems from "excess demand." This opens up the possibility of a reduction of inflation without limiting the buying power of the country's workers, a key point in the IMF prescription.

But firmness and ambivalence combine when it comes time to specify measures. On the one hand, approaching the inflation problem from the cost standpoint translates into a reduction of financial costs by drastically lowering interest rates. This would allow a differential increase in wages of an average 18 percent. To that point, the government's conceptual autonomy with respect to the IMF prevails, although the two focuses are not necessarily incompatible.

Simultaneously, however, there is no similar theoretical independence with regard to the fiscal problem. There are still coexisting points of view that accept at face value the role played by the budget deficit in fueling inflation. Since in any case it was not necessary to begin the government by cutting spending, the measures raise the prices controlled by the government, including not only fuels but also electricity, water, etc.

Finally, there is also insecurity about the exchange rate, and because a decision has been made to raise the prices of fuels and other controlled items, as well as wages, a 12 percent devaluation is scheduled before the freeze. The small amount seems to be attributable to the fear of accelerating inflation.

The program thus manages to satisfy both the orthodox and the heterodox theories. For the former, prices and rates have been raised in the public sector, and the currency has been devalued; for the latter, the wages of the poorest have been hiked, and some of the recommendations by the IMF have been ignored. For industrialists, their financial costs have been reduced, alleviating a serious problem that has plagued them daily; and for everyone, the price freeze is clearly a favorable initiative. The echoes of rising Argentine unemployment under Alfonsin's anti-inflation policy have not reached Peru, and the price freeze has become an unquestionable priority.

One decisive element in these measures has been the devaluation. Freezing the exchange rate for an indefinite period accelerates the de-dollarization process that had been taking place since the previous quarter. This is so even though the existence of the new financial market raises doubts about the real desire to freeze the exchange rate. The fear of excess liquidity in national currency, derived from the conversion of dollars to soles, led the Central Bank to raise the marginal reserve requirement drastically to 75 percent. This limits banks' ability to extend new credit to businesses (see box on interest rates), because for every new sol the banks receive on deposit, 75 centavos must be frozen in the Central Reserve Bank (BCR). Moreover, to reinforce the law with incentives, a high premium is established for banks that decide to freeze their depositors' money in the BCR instead of lending it to businesses. While the banks could loan money to their customers at a maximum interest rate of 75 percent, they could obtain almost the same interest rate by placing the money in the BCR and avoiding the risk that lending involves in these times. As a result of all the above, the deposits by commercial banks in the BCR grew from 1.26 trillion soles to 4.93 trillion soles between the end of July and 15 September.

Results: Deflation with Recession?

A variety of indicators suggest the recessive nature of the measures adopted. Nonetheless, and beginning at the point where the most reliable statistics are available, it must be pointed out that the reduction in inflation has been significant. Prices went up by 10.8 percent in August, and just 3.5 percent in September. The National Institute of Statistics has just issued the report on prices for the first week of October, and that indicates that prices "rose by 2.0 percent over the average level for the past month of September."

Trends in production are still less clear, due to the lack of updated information. General sales tax collections in August, however, showed a significant decline in real terms of 30 percent. This indicator is disturbing by itself because of its implications for immediate trends in demand.

An indicator that is usually related to the level of production, credit extended to the private sector, did not change significantly with respect to the restrictive tendency it showed in the months previous to this administration. In June, real credit to the private sector shrank by 8.5 percent; in July the figure was -0.5 percent, while August's was -3.4 percent. The first and second weeks of September continued that restrictive trend, with respective figures of -0.8 percent and -0.7 percent. In this regard, it can be asserted that the emergency policy has had no special impact on the negative developments in the area of credit.

In this connection, during the first 2 months resources have not been transferred from the speculative sphere to the productive sphere. The greater availability of financial resources in national currency in banks was channeled toward the BCR, and not toward the reactivation, due to the aforementioned incentives and regulations.

The most recently developed recessive factor would be the drawdown of inventories, which resulted from the drastic cut in inflation. The normal effect of this development is to reduce manufacturers' orders, which leads to lower production and a lower level of employment. Economy and Finance Ministry officials estimated that this reduction of inventories would last up to 3 months. If so, the likelihood of a recessive, unemployment-generating effect is obvious, as is the need to counteract it.

In hypothetical terms, this unemployment could already have counteracted, at least partially, the favorable impact of the wage increase measure, and the desired anti-inflationary reactivation would not then take place.

Another factor militating against recovery seems to have been the adverse impact of the measures on small and medium businesses. Small and medium businesses do not have much access to bank credit because of the restrictions imposed in recent years, and thus would benefit less from the reduction in interest rates. They have, however, suffered from increases in other costs.

Given the current slump in demand, they would have been forced to cut back on employment and/or postpone granting the pay raises proposed by the government.

On the other hand, the upsurge in controlled prices was not taken into consideration sufficiently in the production cost estimates, especially in the case of sectors that make intensive use of hydrocarbons, electricity, water and other inputs whose prices went up considerably.

If the aim was to prove that it was possible to achieve stabilization without recession, then it was imperative to reactivate production; the inherited circumstances did not demand a decline, and it would have been a political blow to the government to accept recession as a condition for curbing inflation. Alan Garcia would not have been satisfied with the success against inflation, although that would already imply progress with respect to the inflationary recessions promoted by the IMF. A new package was necessary.

III. The New Package: Cautious Reactivation

In view of the initial evidence that the production situation was growing worse, a second package of measures has been designed and implemented. We may say that it includes the last interest rate reduction that was announced previously.

The desire to reactivate is clear, and it is manifested in a variety of forms. We will classify the measures into different subgroups.

a) Enhancing Domestic Demand through Consumption

The recent measures generally tend to boost consumption. This is expressed primarily in the 4 percent increase in income from wages, which was later modified slightly in the decision to grant administrative loans to workers in the public sector and the large-scale employment program. Together, they could raise consumption by more than 1 trillion soles. The increased demand will also be achieved, though more slowly, by replacing external purchases with domestic ones in a process that will not be very drastic in the short run. Public sector purchases, import bans and the hike in imported liquor prices would also point in that direction. The short-term impact is not as clear as in the aforementioned measures. The difference between this and the first package lies in the fact that these increases in demand do not affect the private business sector, which raises the latter's profitability.

The overall impact is not expected to be very great, since part of it consists of changing who does the spending; the state's income is reduced and the wage-earner's is raised. Another part of the increased demand is only temporary, because the administrative loans must be paid back. If the increase in consumption were 1 trillion soles in the last quarter of this year, that would be equivalent to a growth of about 3 percent.

b) Boost Profitability of Production

The government has deemed it necessary to raise exporters' profits in order to stimulate both non-traditional and traditional exports. In this regard, the amount of returns from exports that can be cashed at a higher exchange rate on the financial market has been raised from 15 to 20 percent, and 5 percent of income from traditional exports may be cashed in on that same market rather than the official market, the selective agrarian Export Certificate (CERTEX), and the CERTEX that complements products with a high national value-added or labor-intensive products.

In the specific case of fishing, profits increase as the cost of investing in imported fixed capital declines. The most immediate impact will be manifested in the process of replacing equipment and tools.

The mechanism establishing the so-called "fourth shift," which will be implemented with a special labor system that includes the payment of wages in kind, seems to be aimed primarily at the textile exports sector. It remains to be seen whether this mechanism creates more jobs or represents an attack on the labor rights already won by workers.

In the case of production predominantly for the domestic market, most of the profits not arising out of the reduction in interest rates are concentrated in a handful of activities. In the first place, the agriculture sector is exempt "from customs duties, the general sales tax, and the selective excise tax on imported machinery, equipment and tools that are used exclusively in agriculture and livestock and are not produced in the country." Moreover, preferential interest rates are established for the credit granted by the Agrarian Bank.

Outside of agriculture, the specific area where import costs are reduced is the iron and steel and fertilizer industries (Cachimayo).

It should be recalled that the latest reduction in interest rates has not been accompanied by increases in other costs in the industrial sector, including wage costs. In fact, this reduction, along with the aforementioned demand incentives, is in response to the complaints of industrialists about the effects of the first package of measures.

c) Increase in Availability of Credit

There is a long list of measures aimed at providing credit to public and private enterprises. The $25 million credit line extended by the Andean Development Corporation (CAF) to the Financial Development Corporation (COFIDE) (equivalent to about 350 billion soles) and the authorization to transfer funds from the state to the Development Bank as a capital infusion designed to provide national funding to open up access to 140 billion soles in external lines of credit, are among the most important of these measures.

But the list is long, and several measures seek to bring about selective effects on non-traditional exports, peasant communities, the mountains, public investment projects, and fishing.

d) Increase in Availability of Foreign Exchange

The need to obtain and save foreign exchange to support the recovery has also been considered. The suspension of foreign remittances of foreign exchange earnings on petroleum is perhaps a small step along the way to keeping these earnings in the country for good. Last year $422 million left the country in this form (including services), which was 13.6 percent of total export earnings. This year, nearly $400 million has been sent abroad.

The ban on imports has been officially estimated to yield a savings of $140 million a year.

The impact of the stimulation of non-traditional and traditional exports by increasing their profitability and/or competitiveness will depend on how aggressive we are in the commercial area.

Changing from foreign suppliers to national ones for certain goods purchased by the state should yield some effect, although not so immediate.

In contrast, the imports subject to incentives are primarily capital goods for agriculture and fishing.

Finally, the announcement of a stable exchange rate will cause more owners of certificates in dollars to sell them, which will expand the country's net reserves.

e) Cut in Inflation

The anti-inflation policy has been ratified, although social pressure through propaganda has strangely and ostensibly been reduced. The announcement of a stable exchange rate will have a tendency to reduce inflationary expectations, and the reduction of financial costs will tend to diminish cost pressures. The reduction of the general sales tax on various goods and the lower price of kerosene will have the same effect. However, cutting costs without persistent price controls will translate into higher business profits, a worsening of inflation and the neutralization of the recovery.

f) Stabilization of Fiscal Accounts with Reactivation

A good part of the above measures require significant public financing. In the first package, there were doubts about the nature of fiscal measures, and as we indicated earlier, a conservative outlook was adopted. This time, however, officials have gambled that the increased tax collections generated by the recovery will offset the higher spending undertaken to promote that recovery. It is well known that recessive policies are a very bad way to balance the fiscal accounts, in that they cut substantially into the central government's revenues.

The fiscal cost estimated for this quarter is 350 billion soles, and according to the government's projections, it will result in a deficit of 0.4 percent of the GDP. If this is true, by the end of the year the public sector deficit will be above 6 percent of the GDP, counting the 3.9 percent already recorded in the first half of the year for the central government and the 1.8 percent corresponding to public enterprises and other institutions. The government estimates optimistically that these figures will decline with the lower foreign debt payments and other measures, which would yield a public deficit lower than 3 percent of the GDP.

g) Planting for the Future Now: Investment

The main emphasis of the package is on the short term. The redistribution plan of Alan Garcia's administration has still not taken on a definite shape. As we indicated earlier, the only indication of the redistribution program that lies at the base of the income distribution pyramid is a few signs whose meaning depends entirely on the proposals that will be detailed in the national budget for 1986 and in the system of incentives and differential controls that is established to restructure the industrial sector. For the time being, the recovery program is a "run of the mill" one, with certain subtle differences.

Among these differences, the most noteworthy are: the regional perspective of the development program for the emergency zone (84 billion soles) and the microregional development program (65 billion soles); and the sectorial orientation of the purchase and repair of fishing vessels by the Public Enterprise for Fishing Services (EPSEP) ($4.9 million) and the authorization of the sale of two vessels to EPSEP (10 billion soles). In addition, we must note the favorable interest rates established for the food-producing agriculture sector of the mountainous region.

As for industry, the accent has been placed on non-traditional exports, as we have pointed out.

h) Search for Resources: Domestic Debt

The new package includes some mechanisms oriented toward the attraction of financial resources which should complement those obtained through the recovery itself. The creation of the Development Deposits Certificate, which will pay a maximum rate of 35 percent, and the mandatory purchase of National Development Treasury Bonds by banking, financial, insurance and large-scale mining companies, introduce a guideline whose significance has yet to be determined. Is it a matter of resorting to domestic indebtedness by the government as a voluntary and/or mandatory mechanism for savings? Is it a complement to taxation, or a replacement of it? Let us recall that the first phase of the military government renounced taxation, replacing it with domestic indebtedness. In the longer run, this alternative will have a substantial influence on the relationship between the state and the capitalist sector of the economy.

In any event, if businesses have enough liquidity, the Treasury Bonds will be in a position to back the program with some 200 billion soles.

The stimulative nature of the package is undeniable, but timid. Its effectiveness depends on several factors, including public spending capacity, which will limit the practical significance of some measures and the development of inflation. If inflation rises, it will outpace the buying power of wages and neutralize the gains that have been made.

During the last few weeks, price controls have been relaxed and the "lack of discipline" among producers and merchants has grown, to the consternation of consumers.

Perhaps the option lies in achieving a partial reactivation, with an also partial deflation. Is that a strategy, or is it vacillation or wavering?

IV. Reactivation: Political Decision

The economic reactivation demands that imports of inputs be boosted, and maintaining the bargaining power needed to develop a different policy than that imposed by the IMF implies keeping a good "cushion" of international reserves. What are the chances of achieving both of these apparently contradictory conditions?

In the short term, foreign exchange to boost imports without substantially cutting into reserves can be obtained from the following sources: 1) about $1 billion in certificates in foreign currency that have not been converted into soles; 2) the reduction of the interest payments on the foreign debt, which amounted to US $303 million for the public sector in 1984; 3) the cutback in the remittance of profits and services by foreign oil companies (which amounted to $422 million in 1984, or 13.6 percent of what was received from exports that year) and non-oil companies (which totaled $262 million, or 8.4 percent), the two figures amounting to a total of 22 percent of exports; 4) a decrease in the surplus in the balance of trade, which was $1.398 billion for the exchange balance last year. The surplus amounted to 45 percent of the value received for exports. How much of that surplus is useful for the recovery will depend on the policy on the debt and the remittance of profits. The higher the payments, the smaller the available margins.

These four sources of funds can ensure a relatively rapid recovery if the productive use of imports is subjected to a modicum of control and if excess reporting of imports, always a temptation under these circumstances, is prevented.

For the above reasons, we can assert that reactivation is an eminently political decision, since it involves confronting foreign creditors and foreign productive capital.

But the reactivation also depends on reducing the coefficient of imports, that is, the increase in imports that is necessary to bring up production. In this area, the most immediate actions revolve around the following factors: 1) the ban of certain superfluous imports, considering the urgent needs of the moment (something that is beginning to happen); 2) the reduction and/or prohibition of imports of capital goods whose use can be postponed in view of the existence of idle installed capacity; 3) selective reactivation and the curbing of imports of inputs for non-priority industries; 4) the reactivation of Peruvian society "from the bottom up" to cut down the imported component of the new investment by concentrating on activities that make less intensive use of machinery.

The two latter options also assume a firm political will, because they imply beginning a structural transformation right now. So far only the simplest tasks have been undertaken. Making progress in this field is not a question of gradual measures, because decisions must be made to confront groups in power that will not give up economic privileges for the sake of national development and the well-being of "those below."

Conclusion: Redistribution with Democracy?

Reactivation with sovereignty means redistribution with democracy. Growth without redistribution is still compatible with the continuation of old economic policies and with subordination to capital, foreign capital in particular. Growth with redistribution involves putting the current social order to the test, and in our opinion, providing evidence of that system's inability to deal with the problem of poverty among the people quickly enough.

The people themselves must create their own well-being in order for it to be effective, and decision-making must be democratized, from local levels to the top. An immediate reactivation that paves the way to another model of development must be based on a democratic, non-bureaucratic redistribution, on the organized deployment of the people to the tasks of their own development. This particular aspect of the economic problem seems to be the biggest difficulty facing the current government.

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10 Percent Policy Effects

Lima QUEHACER in Spanish Oct/Nov 85 pp 22-23

[Article by Humberto Campodonico]

[Text] The proposal by Alan Carcia's government to limit the payment of the foreign public debt to 10 percent of exports has been in the limelight of national and international public attention in recent weeks. Leaving aside for a moment the discussion of "whether it is good or bad," we thought it would be an interesting exercise to try to predict what would happen in 1986 if the 10 percent formula were applied.

In the first place, to simplify matters we have assumed that all that was owed for 1984 and 1985 (principal and interest both) is "refinanced" and postponed to future years. Thus, we enter 1986 with a clean slate.

According to figures provided by the current government, Peru's exports and imports for 1986 will amount to US $3.342 billion and $2.419 billion, respectively. This means that the balance of trade surplus will total US $923 million (see chart).

Traditionally, other major sources of foreign exchange have been the multilateral banks, private banks, and the governments of developed countries.

In the last few years, however, the trend has been reversed: The Latin American countries have been exporting capital to the industrialized economies, and Peru has been no exception to this rule.

Thus, the rate of disbursements of loans to the public sector in 1985, for example, will not exceed US $200 million, and the same can be expected for 1986. As for foreign investment and the loans from private banks, they have practically dried up at this time.

Therefore, in the best-case scenario, we might have just over US $1.1 billion in foreign exchange, stemming from the balance of trade surplus and the outlays for the public sector.

What must be paid for with that US $1.1 billion?

--On the one hand, there are the remittances abroad by oil companies (OXY, Belco and OXY-Bridas) and mining companies (Southern) in the form of profits, depreciation, payment for services abroad, loan interest, etc. This amount reached US $258 million in the first 6 months of 1985. If we project that to an annual figure (omitting for the moment the rescission of the oil contracts), we find that the drain of foreign exchange resulting from these transactions totals US $516 million.

--Moreover, we have the remittances abroad of foreign companies such as Bayer, Coca-Cola, Carnation, etc. All told, the remittances just of these companies' profits reached US $163 million in 1984. The amount is expected to be the same in 1985, and we assume the same for 1986 in our calculations.

--Therefore, the total of remittances abroad by foreign companies is US $680 million. If we subtract that amount from the sum of the balance of trade foreign exchange plus outlays (US $1.123 billion), we come out with US $443 million.

Of that US $443 million, US $335 million (10 percent of 1986 exports) will have to be earmarked to pay the foreign debt, which would leave us with just US $108 million. And that does not count the fact that the BCR debt and the long-term private debt have not yet been paid.

The debt that would have to be paid in 1986 totals US $2.115 billion. But since only US $335 million (10 percent) would actually be paid, US $1.780 would remain unpaid. People are commenting in the halls of the Economy Ministry that the representatives of the different private banks and creditor governments are "lining up" to make apointments with officials in order to ensure that they are included among the "lucky ones" who get part of the 10 percent quota. For the government, however, the priorities have already been set: first the multilateral agencies (World Bank, Inter-American Development Bank), then the creditor governments, and finally the private bank creditors.

There's more: The 10 percent includes the debt to the socialist countries. It is well known that part of that debt was to be paid with Peruvian products. But since the "quota" of that debt has to "fit" within the 10 percent, orders submitted to Peruvian industry for the payment of the debt will decline. On this side, at least, the expected "reactivation effect" will not take place.

The 10 percent does not include the BCR debt, nor the long-term private debt. As officials of the current administration stated in a recent meeting, this debt will be paid with the funds generated by private enterprise and the BCR itself. If is so, then all together, the interest alone will amount to nearly US $280 million, which is equivalent to 8 percent of exports. As we have seen, we have only US $108 million left.

If we consider that an economic recovery would immediately boost imports (it is estimated that for every point of increase in the GDP we have a 20 percent rise in imports, according to the BCR study "Prospects for the Foreign Sector 1985-89"), then the external "bottleneck" would become a fundamental restriction that would throw APRA's current proposal out of kilter.

What we are trying to show is that the "reactivation model" itself cannot be maintained with the current structure of property ownership and indebtedness that is affecting the balance of services, in other words, the remittances of profits by foreign companies and also, apparently, the interest payments on the foreign debt (public, BCR and private alike).

What are the solutions? We might consider, for example, the complete rescission of the oil contracts, which would yield a net savings of at least US $300 million a year. We could also consider appropriating the profits of the foreign firms. The point is that APRA's model is not viable if the oil companies and the remittance of profits by the transnationals are not affected in some way.

To be sure, the government could also aim at a multiannual "overall refinancing" of the foreign debt with its creditors to "alleviate the service" and allow for economic recovery plans. But doesn't the "reactivation" completely contradict the adjustment recommendations of the IMF and the international private banks?

Net Flow of Peru's Foreign Exchange 1986
(In Billions of Dollars)

Exports	3.342
Imports	-2.419
Balance of Trade	0.923
Public Debt Outlays	0.200
Available Foreign Exchange	1.123
Oil and Mining Remittances	-0.516
Remittances by Other Foreign Companies	-0.164
Available Foreign Exchange after Remittances	0.443
Foreign Public Debt Payments (10 Percent)	-0.335
Available Foreign Exchange after 10 Percent Payment	0.108
Payment of BCR and Long-Term Private Debts	-0.280
"Ceiling" on Higher Imports for Economic Recovery	-0.172

Garcia's Political Style

Lima QUEHACER in Spanish Oct/Nov 85 pp 26-27

[Article by Victor Hurtado]

[Text] Everyone knows that Dr Alan Garcia is the foremost power in the nation. If this preeminence arises out of the ability to make laws, His Excellency deserves it. In the last 90 days, he has drafted every piece of legislation except one, and has made Congress one of the soundest of the protected institutions in the nation. Perhaps for this reason Dr Garcia is a man of extraordinary powers.

Nevertheless, the official power of the president is not a sum total of formalities. It emerges before that, in reality. His strength derives from the tremendous social backing that put him in office, support which he has been able to keep nearly intact. He is a leader by national consensus: His followers think no one else is better; his adversaries, that no one else is possible.

There is talk of the president's authoritarian style, but so far that is just an internal problem, an imperial style that the chief of state obliges his cabinet and the majority delegation in Parliament to tolerate. The external front is different, however. In society's view, Dr Garcia needs no authoritarian image. Against whom could he exercise it, if the experts in the economic, political or parliamentary opposition have been unable to find any issues around which a single current of opinion could rally?

Furthermore, Dr Garcia is not an easy adversary to contend with. His opponents can advance only when he stands still. United Left (IU) knows that; in the last 3 months, IU has been able to move a few steps forward on just two occasions: when the Accomarca massacre was discovered, and when the settlers were brutally evicted from Garagay. Until then the government had taken no action in the areas of human rights and housing. But Dr Garcia had merely to perceive that his image was being tarnished on those fronts, and an immediate reaction was forthcoming. He fired three generals, named a peace commission, and sent a bill to Congress to allow for the expropriation of vacant urban lands. Within a few days, the president had won back the lost ground and regained the initiative.

His Excellency's style combines authority with activism. He and he alone is the symbol of power. He speaks at the United Nations; he visits pharmacies; he wields military power; he lunches on "kiwicha" and "Alan bread"--an informal eucharist that the president wants to establish with the most impoverished. Today a premier like Ulloa would be unthinkable. Except for the foreign minister, who seems to be a brain, the other ministers are gray matter.

It is unfair to attribute that conduct to infantile narcissism, however. The president's activism stems from the fact that his staff really does not deserve his confidence. He who lacks confidence in others is hardly likely to delegate major responsibilities to them. And that uncertainty arises out of the tremendous "gap" between Dr Garcia and the APRA leaders, who regard the theory of dependency as a scientific study of public institutions.

Dr Garcia's isolation determines his behavior and reinforces his natural tendency toward voluntarism. Like Mao, he wants to "put politics in command" and govern the economy. During these 90 days, however, urgency has always been attenuated by pragmatism and compromise. The anti-corruption campaign has not affected the smuggling activities discovered in the Navy; the investigations arising out of Accomarca were cut off at a 2nd lieutenant; no official was able to convince the bankers to reveal their secret payrolls. It is difficult to maintain, then, that we are witnessing a case of messianism. Messianism is basically irrational, the furthest thing from cold, political calculation.

Dr Garcia presents a textbook example of an optical illusion. The excesses of his personality, his ubiquity, his overwhelming initiative, all lead to the conclusion that the man makes the circumstances. Such is not the case, however. At the end of the Belaunde administration, the majority of the nation was demanding substantial changes not only in programs, but also in styles of government. Of all the candidates, only Alan Garcia was able to satisfy these demands, since the other opposition candidate was dangerously similar to the outgoing leader in his methods.

The trend toward what Julio Cotler has called "change with order" ran into Dr Garcia along the way, and from the moment of that encounter, nothing and no one could have prevented Alan Garcia from becoming the symbol of a social mood.

The problem with all of this is that it is a marriage of convenience. The president has imposed a style, a pace and a tension that are hard to maintain. The strength and durability of a caudillo lie in his constant activity, and every decision he makes must be as spectacular as the last one, or more so.

Herein lies the principal contradiction of Dr Garcia's style: It raises hopes among the poor masses that will be increasingly difficult to negotiate. In part, those who invaded the Garagay estate did so because they interpreted in their own way the social justice preached by His Excellency.

In the long run, the leader must make a choice. Sometimes he tends to opt for the riot police and the burned shacks. The more charismatic the leader, the more blame will be heaped on him, because the citizens regard him as the only center of decision-making.

No one can remain a pragmatic leader for very long in a country of starving people.

Political, International Policies

Lima QUEHACER in Spanish Oct/Nov 85 pp 28-34

[Article by Henry Pease Garcia]

[Text] It appears that the country is moving not just at a different pace, but down a path that could lead us away from the catastrophe. If anything characterizes the initial months of the Alan Garcia administration, which contrasts sharply with that of the architect who preceded him, it is the fact that Peru seems to be turning inward, and the government is trying to direct and chart a course instead of casting the ship of state adrift.

The president has appealed openly to the nationalist sentiments of our people on several occasions: After hearing his speeches on the foreign debt or the oil contracts, many of us have felt that Peru was once again becoming more than a land that is occupied by us but is always controlled by foreign capital. In the last 10 years, have we had anything consistent, anything of our own to say to the international community, as has been done at the UN this time?

In the anti-inflationary voluntarism expressed in the economic policy; in the initial successes in the battle against drug trafficking or the advances against corruption, including the reorganization of the police, a very broad consensus has been achieved. Obviously, the government's economic plan has not yet been well defined, and in other areas only an initial impulse has been given. But who can deny that enthusiasm is growing?

In seeing the president's decisive action in response to the discovery of new crimes perpetrated by the military, which were acknowledged this time thanks to the president's change in attitude, we have realized that the Armed Forces will not longer be treated as a state within a state; that it may be possible to achieve effective civilian leadership during this term; and that the anti-subversion strategies pursued against Shining Path may be reconsidered. This and the Peace Commission, despite the repeated horrors of each discovery, constitute a light at the end of the tunnel into which Belaunde and his cronies led the nation due to their inability to grasp Peru's social situation, their mechanical and insubstantial reaction to the Shining Path subversion, and their fly-by-night liberalism that exhibited so little compassion for the real nation.

Looking at the present government, it is impossible not to remark that Alan Garcia's first and greatest possibility lies in the contrast between him and his predecessor; we sank so low that now the merest hint of an alternative is enough to open the floodgates of hope. The president started off on the right foot (the left foot, to be sure), and many different sectors are satisfied. Now it is up to him to move on from a consensus by contrast to a consensus derived from results. There is no doubt, from our own political position, that we want this government not to fail. The country, especially the poorest Peruvians, could not withstand failure.

Recognizing this situation on the basis of the Peru it inherited and the first steps it has taken does not mean that from the very beginning the APRA government has been free of limitations and unanswered questions. Another contribution it has made is to begin to show us how to make criticism a means of valid communication in Peru.

Different Style

Alan Garcia shows a different style. It is not just his dynamism, but also his exclusive and excluding activism, his ability to distance himself from the mistakes of his allies, and particularly his emphasis on direct communication with the people, with his "balconazos" [balcony appearances], his intensive trips, his visits, etc. All day long the president is "politicking" in the sense of hammering out compromises, becoming the principal communicator, establishing an image that will cover the entire government. This is a major innovation, if we recall that for the military engaging in politics was a bureaucratic act of governing, and for Belaunde it appeared to be identified with observing protocol, subjecting us to geography lectures, and spouting empty cliches.

But let us not confuse style with policy. The "balconazos" do not replace a policy to deal with the masses, nor do some well-publicized meetings with workers fill the need for an effective agreement with the workers' federations and the organizations that represent the people. Presidential activism also bears its risks, and such gestures to the masses should never replace the dynamic of those organizations themselves, or scrupulous respect for their autonomy. We realized this when we witnessed the formation of "Social Development Committees," which were imposed bureaucratically by an organization at the Palace whose executive officer was no less than the national secretary for organization of APRA; when we saw that in several shantytowns such committees were set up by the local agencies of that party, to be formally installed later in the presence of miinisters and members of Parliament. If we look at precedents in recent history in which the state apparatus overstepped its bounds with respect to the organizations of the people, even in corporate projects, we cannot but warn of a dangerous course. Because this trend is incipient and open, however, we prefer not to attach the corresponding label to it.

Anti-Corruption and Reorganization

The successes in the battle against drug trafficking and in the efforts to fight corruption are particularly important. With regard to the former, we still wonder how the big fish and the large facilities were netted so quickly. The question is valid, because there is so much to grapple with that we must expect the government to continue meeting the high standards it set for itself in its first accomplishments. Fighting corruption in this vast bureaucracy requires citizen participation, from the bottom up, as this is the only means of supervision capable of extending the real scope of a government, no matter how powerful it feels in the beginning. Not only has no progress been made in this direction, which is also creative and difficult, but we have reason to believe that in the reorganization of the police mistakes have already been committeed that are not simply isolated incidents. In this connection, we must once again ask whether the goal is to moralize and modernize, or simply to replace personnel in the upper echelon with officials who will docilely follow the dictates of the ruling party.

Anti-Inflationary Voluntarism

The government was wise in placing all its political resources at the service of the anti-inflation struggle; it achieved a broad consensus in its initial effort. Although the results in the market and the production sphere are not as promising as official figures would suggest, this endeavor still has the support it needs to provide leadership in an area where the Belaunde administration made chaos a form of governing for the benefit of a minority among minorities. To prevent this from becoming just a new cycle in reaction against the liberalism of the previous cycle, continuing the chain of failures, the debate must be focused on the government's economic plan and its development strategy as a whole. In other words, we must not confine our discussion to the measures of the moment. Possibly by the end of the year, when the budget is debated, the initial stage will be over and it will be time to get to the heart of the matter.

We must recall, however, that in his election campaign Alan Garcia was explicit only in his diagnosis of the crisis and the description of his proposals. There was wide agreement on them, in general: It was a question of supporting agriculture, helping the poor peasants, and applying economic measures that would change the plight of the under- and unemployed of the cities. The key question now is how, when and, above all, where will the resources come from. It is impossible to make an omelet without breaking eggs, even in our dear Peru, which is always open to conciliation. The magnitude of the demands and the open-ended expectations requires an equally open-ended debate on the economic alternatives for the coming years. No doubt workers and businessmen, as well as other sectors of the productive apparatus, will gradually raise their banners as they become accustomed to the new pace.

Seeking Peace: Alternative Strategy?

The key to this situation is the fact that for the first time the president is demanding an investigation, and its results are affecting more than just the little fish. Along with the installation of the Peace Commission, what has happened since Pucayacu and Accomarca can and should prompt a thorough rethinking of the anti-subversion strategies pursued by the previous government, which we described in QUEHACER at the time as another cause of the spiral of violence.[1]

Action is slow and apparently wavering, however, not only in terms of old, unresolved problems (amnesty, accusations to be invstigated, punishment of the culprits), but also with respect to devising a new strategy to face the Shining Path phenomenon as a political, social and military factor. And although a major sum of money has been allocated for investments in the affected region, there is no discussion of changes in local and regional political institutions, in military and police methods, and so on. Thus, we have well-founded doubts, because if everything remains where the previous .pa government left off, we will have a mere change in personnel and a short-term, reversible reaction.

Anti-Imperialism Doubted

Since 28 July, the foreign debt proposal has been refined, approaching a selective moratorium without saying so. Another recent advance was the assertion that the remittances of profits by oil companies will be restricted. In this area, there had been a major gap between the president's rhetoric and the scope of the decree that rescinded the contracts with the oil companies. Later on, as pressures mount on various fronts, it will become clear how much continuity and consistency there is between the president's words and his deeds, which are what really matter.

But there have been some definitions of foreign policy that do not appear coincidental or anecdotal to us. The essence of the confrontation between the presidents of Peru and Cuba did not lie in one phrase or another and was even more important than their differences on the foreign debt. Rather, it is the fact that Alan Garcia's government felt the need to express its position on this matter by contrasting it with the Cuban position, highlighting the differences and even referring to the legitimate internal, sovereign affairs of that country.

In fact, since before he took office, when Garcia was starting to talk about the debt, he began by maligning Fidel Castro's stance, claiming it was irrelevant to Latin America. That stands in contrast to the breadth of the Havana conference, at which Cuba advocated its own position while listening to those of all the liberals, conservatives and leftists in attendance. Once again, in his most important speech, before the United Nations, Alan Garcia presented Peru's stand not only by comparing it to the Cuban position, but also by making reference to aspects of Cuba's internal and foreign policies in terms that usually come only from Washington's most loyal allies.[2] The reaction of Havana's representatives was inevitable, although we must concede that it was excessive in the extreme, and for reasons of national solidarity we repudiate Foreign Minister Malmierca's words.

The important thing, in our view, is that when one confronts an enemy as powerful as the empire to the north, one should avoid any bickering on the side. The UN is no place for subtle ideological discussions. Behaving otherwise reveals what we perceive in this case to be Garcia's political intention of presenting himself to the U.S. Government as a more palatable alternative than Cuba, hoping thereby to win some bargaining power. And that could be the beginning of the end for any anti-imperialist stance.

We have a long way to go on the road to amti-imperialism. Incidentally, has the government done anything about the accusation proven by Cesar Hildebrandt that Yankee pilots are training in our jungle with the Peruvian Air Force? And what about our sovereignty? And our solidarity with Nicaragua?

Is an Assessment Possible?

The broad images with which we began this article constitute a recognition that a good start has already been made. No doubt the key to these initial months has been the vigorous approach to challenging imperialism through the foreign debt issue. It may well be here where this government's real maneuvering room comes into play in new situations which we will not try to predict. But this apparent spat between the Peruvian and Cuban protagonists, which does so much to serve the interests of rightists of all stripes and Washington's lackeys, must indeed be stopped. Wouldn't a first step be the resumption of diplomatic relations at the ambassador level, which were cut off by Peru in 1979?

On the domestic front, the two key questions of the present are, in our opinion: What kind of democracy and what kind of state does APRA want for us? And although we are not dealing with this matter here, what economic plan and what strategies will APRA develop? Alan Garcia constantly harps on the nationalist, democratic and popular nature of his government. Let us begin here.

During these months, we have been able to discern a trend toward a centralist government and a renewed statism as fundamental limitations to the democratic and popular character of this government. Let us explain further:

There has been no effective decentralization measure, no matter how strong a leitmotiv decentralization has been in political discourse. Here we are referring to the steps taken in the constitutional regionalization process as well as the support and transfer of powers and resources to the municipal governments, the only level of government that is outside the central administration. In the designation of corporation presidents, in dealing with the legal make-up of these corporations, in the persistence of Popular Cooperation despite the president's proposal, and in the other steps taken by the government, there is no sign whatsoever of real support for the provinces' governing themselves in the areas set aside for local control under the Constitution and relevant legislation. The regionalization program consists of nothing but words. And the proposed microregionalization, an interesting means of decentralizing investment, is in the final analysis confusing and centralist in the area of management and decision-making. What else are we to think when the National Institute of Planning (INP) must authorize every outlay, according to the decree that was issued?

The statism that keeps rearing its head in APRA rhetoric and in the policy that is beginning to be implemented by the public administration and the party with respect to the popular organizations, runs counter not only to the alternative that we visualize as self-government and popular activism, but also to more than a decade of development among popular organizations that are very jealous of their autonomy. Very advanced policies such as the one in the health sphere have reached an impasse precisely because in the entire state apparatus run by the APRA Party, there is excessive faith in taking action through the central apparatus, which contrasts with the lack of confidence in any attempt at decentralization and any initiative taken by the local governments. This urge to centralize is manifested in vertical actions which, justified by urgency or "efficacy," erupt among the people and challenge their natural organizations, displacing the municipal governments that really represent the local areas. Because they impose committees from above, if they have any success in establishing a clientele, sooner or later they may end up following previous examples of institutional decay.

If we speak of an assessment, then, we must point out that these trends are not figments of our imagination, but are part of the concrete, everyday reality of the people. We prefer not to go into the characterizations that have already been made or to ask now about what the terms socialism and revolution mean when Alan Garcia uses them. The former is not just around the corner, and the latter is not usually brought about by governments. The important thing is whether Garcia will be able to guide this ship to a safe port from this difficult point of departure, strengthening democracy but not restricting or bureaucratizing it, decentralizing and establishing real power in the provinces, and emerging from the crisis, which in the Peruvian economy is saying a lot.

Several questions remain unanswered, concerning whether it is Alan Garcia or the APRA Party that wants change; the degree of internal contradictions; the improvisation we see in various areas; and the difficulty of engaging in dialogue in this country and winning support from different camps.

The unanswered questions also touch on United Left and its pious silence, which not only is not the best way to behave as an opposition party, but also fails to contribute to the government's efforts. Given that the absence or limitations of the leftist opposition must also influence the measures taken in the immediate term, the United Left crisis is an open question that is unavoidable in any provisioent as a voluntary and/or mandatory mechanism for savings? Is it a complement to taxation, or a replacement of it? Let us recall that the first phase of the military government renounced taxation, replacing it with domestic indebtedness. In the longer run, this alternative will have a substantial influence on the relationship between the state and the capitalist sector of the economy.

In any event, if businesses have enough liquidity, the Treasury Bonds will be in aonsequences. We do
not have privileged relations with any power, because we are not combatting a dependency as tools of another hegemony. We do not adopt ostentatious positions, advising others to stop paying while we pay one half of the world punctually and pay with strategic sovereignty a huge debt to the other half of the world, which it therefore does not demand with urgency."

Urban Housing, Urgent Issue

Lima QUEHACER in Spanish Oct/Nov 85 pp 38-43

[Article by Mario Zolezzi]

[Text] Once again, the violent eviction of approximately 10,000 families that had settled on the land of the old Garagay estate, located on the border between the district of San Martin de Porres and the constitutional province of El Callao, calls attention to one of the principal unresolved problems that plague Lima and other cities in the country: It is impossible to guarantee a safe, decent place for low-income families to live, with basic social services.

Some skeptics contend that the housing problem has not been resolved fully in any part of the world; that there are many other needs that are equally or more urgent and also require our attention, such as food, health and jobs; and that the resources of a poor country like Peru are insufficient to deal with these problems at present. Others, wielding well-founded arguments, claim that the problems of over-crowded cities, "slumification" and the invasion or occupation of lands, can only be solved in the long term by applying vigorous measures to decentralize, deconcentrate the administration, and give priority to investments in areas outside the principal urban centers, Lima in particular. There are others who misguidedly assert that the problem is one of administration, because there is enough cheap land now that is not being transferred to those who need land due to excessive red tape (prerequisites, blueprints and forms to fill out). Is there any way to untangle this web that threatens to strangle us? We think so.

True Causes

Just as the symptom must not be confused with the disease in the treatment of sick people, the problem of land invasions does not reside directly in the take-overs, because that is merely the manifestation of much deeper social and economic processes.

The invasion of lands in San Martin de Porres and other areas is simply the consequence of irreponsible--not to say disastrous--policies that combined centralism with the oligarchic interests that defended the latifundio system, land trafficking, and giving free rein to major developers (legal and illegal alike), all of whom were interested in profits as an engine for urban activity, forgetting that the cities should be the patrimony of all of their residents.

Today, Lima contains 1/4 of the country's inhabitants in an area that covers between 900 and 1,000 square kilometers, while almost all of our territory continues to lose population. Aside from the migrations of peasants terrorized by events in the troubled emergency zone, there are the new families, technically known as family offshoots, which are pressuring for land within the city itself so that they can relieve the overcrowding in which they live in their parents' homes. Families with an average of five or more children, who cannot afford to expand the homes that have become increasingly crowded over the past 15 years, are enough in themselves to account for the magnitude of the problem in districts such as San Martin de Porres, Comas or Carmen de la Legua-Reinoso in El Callao.

When all is said and done, if we want to find an explanation for the underlying causes of events such as those of Garagay, we must take into consideration two current factors: speculation on urban land and the strong migratory tide that is driving Lima's population growth to even higher levels.

The first factor leads to a relative shortage of land by keeping land deliberately unproductive; the other tends to make that shortage even more obvious. The combination of these two factors is, has been and always will be potentially explosive, as long as the country's structural problems remain unsolved.

It is well known that on the one hand there are those who have made fortunes and continue to make more by taking lands which, in most cases, used to be agricultural holdings, and subdividing them into home lots. They buy by the hectare and sell by the square meter at a price multiplied by a thousand or more, as can be seen easily in so many cases of urban development in Lima.

On the other hand, there are the urban poor, whether migrants or not, whose families are growing at an explosive rate and have no place to live. This is why empty urban lots reserved for speculation, as their market value swells with the appreciation generated by investments in neighboring properties, look all the more tempting to them.

Nevertheless, there are those who prefer to view the situation in another way, and explain urban social movements by attributing them primarily to a desire to engage in land trafficking, small-scale speculation, and political agitation. The small-scale land traffickers (who no doubt do exist and may account for as much as 25 percent, if you will) are blamed for the conflicts that arise, when actually all they do is reproduce on a tiny scale the behavior of the major traffickers, who are really responsible for the situation we face today. They are actually just stowaways on the train of a much more complex social process.

Wrong Answers

The policies that have traditionally been undertaken to deal with the urban problem have tried to offer solutions without setting priorities among their components. Solving the problems of migration and poverty requires more time and effort than attacking the process of land speculation. But grappling with the latter factor demands that decisions be made, and these decisions have always been sidestepped in deference to real estate speculation capital.

In this way, Lima's ills have been diagnosed in terms of the millions that would be required to meet the housing and services needs of the most impoverished residents; gigantic financial needs have been cited; not a few proposals have been made regarding the appropriate technology and traditional, low-cost construction materials such as adobe or reeds; and other proposals have been made to channel and support self-construction of housing, and so on.

Despite all this, however, the problem has continued to worsen, because no one has been willing to see or deal with the underlying causes.

Thus, for example, the housing programs promoted in Belaunde's second presidential term were only a palid reflection of the constructive initiatives taken by the architect during his first term. What is even more regrettable, despite the existence of the National Housing Fund (FONAVI) and the good intentions of creating a Materials Bank to back the credit aimed at the low-income sectors, the previous administration oriented the resources reserved for construction in such a way that the results were random and elitist. Las Torres de Limatambo, Santa Rosa, Marbella, Las Torres de San Borja and other housing projects did not respond to the needs of the impoverished masses of the city, who needed land equipped with the basic services. In contrast, lotteries were held from which very few people benefited--although teachers were included among the privileged few, being given a "leg up" by being allowed to enter twice. The winners received subsidized dwellings, and the economic circumstances of the FONAVI beneficiaries were not necessarily taken into account. Furthermore, the few projects that were undertaken for the low-income sectors, such as La Ciudad del Deporte (without any reference to the distance or location of the project), Pachacamac or Canto Grande, were given low priority, and are still not finished.

On the other hand, the deadweight of excessive centralism has also hindered the provincial municipal governments' management of their territories. Lima, the city which serves as the seat of the national government, has had to bear the weight of the Executive Branch and the state enterprises, contrary to the provisions of the Constitution and municipal ordinances. These entities did not and to a large extent still do not respect the prerogatives of the municipal government. This lack of respect was manifested not only in the construction of government housing projects in areas that had been set aside for parks, but primarily in the lack of state attention and support for a metropolitan development plan that calls for orderly growth and urban expansion, in accordance with an overall schedule for the entire city.

Adjust Responses to the Times

For a city such as Lima, which went for many years without the most indispensable and minimal studies on land use, zoning revisions, traffic flows, demographic growth, vacant lots that could be used to provide services, etc., finding the right path is not easy. This is especially true if the goal is to establish a modicum of orderliness so that the tremendous inequalities can be reduced, inefficiency can be minimized, and chaos can be turned into multifaceted order. For this reason, the Garagay and Bocanegra incidents are significant, because they reflect much more than a major invasion confronted with brutal eviction; they reveal the very mood of the city, its residents' anxious confrontation with the daily reality of poverty, the shortage of resources and the urgent need to keep living someplace. Meanwhile, major tracts of land in all areas of the city lie before them, inexplicably vacant.

In view of these circumstances, and almost taking advantage of the attention the mass media have given the matter, we should point out that the problem is not only longstanding, but has been the subject of continued studies and more or less bold solutions, without the support of the government or the municipalities (whether due to a lack of will or of resources, it hardly matters anymore). We must also note that the problem should be viewed within a larger context, considering policies on housing, urban development and the provision of services to recover land that is now subject to speculation, for the benefit of the poorest sectors.

This is what the Municipal Government of Metropolitan Lima has been doing, or at least trying to do, through municipal programs or pilot projects such as "Huaycan" and "Laderas del Chillon." These programs have emerged from a perception of the need to provide cheap land with easy access to services in the short term for the poorest urban sectors. These are planned human settlement projects on lands recovered by the municipal government, designed to meet the land needs of the new families created by family offshoots, the residents of shantytowns, and the homeless migrants.

The primary municipal support for these programs, as well as those of Las Pampas de San Juan, El Arenal de Canto Grande, Chillon and Horacio Zeballos, has been legal backing and the real transfer of land ownership. Through the gradual implementation of these programs, it is hoped that health, education and electricity services can be provided. Contrary to the attitude of previous administrations, neighborhood organizations are being encouraged to participate actively in the construction of their barrios. An effort is being made to harmonize viewpoints and to use available resources (be they from the central government, the provincial or district municipal government, or other entities) within the integral logic of the programs. These are true municipal, co-management programs that recognize the active role of the organized population.

It should be understood that this is the way to find viable solutions for housing needs, because the execution of this kind of program will make it possible to establish norms and procedures that are compatible with our possibilities. Thus, in a short time, there will be a permanent supply of dwellings to meet demand. Only in this way can a real alternative be forged within a legal framework for those sectors of the population that, precisely because of their low income, are most anxious to solve their shelter needs.

We believe that the housing and urban services needs of Lima and other cities in the country can and should be faced, not matter how difficult the challenge may seem. Confidence in popular organization and in a national development process that is compatible with our economic and social situation, working within existing limitations to provide the basic services of water, sewage and electricity, seems to be the best ingredient to work with until the profound structural changes that our country needs can be brought about. City governments will not make the revolution, but neither can they sit back and wait, without facing the urgent problems of the moment.

It is essential that we point out, however, that even for carrying out their municipal duties, there is a major gap between what the Constitution of the Republic and the Organic Law on Municipal Governments set forth, and the real powers and attributes exercised by these governments.

Municipal Power

Because Peru's democracy has been interrupted and cut short so many times, local governments have been unable to assume their prerogatives in the country, especially in Lima. For this reason, the restoration of legal powers to the municipalities and the provision of economic resources so that they can manage and regulate urban lands and plan and develop the rural lands and riverbanks within their jurisdiction, is something that is demanded every day by mayors and the presidents of all city councils.

The latest evictions in the country, which were particularly dramatic in Lima, have demonstrated the urgent need for a sole authority to take charge of urban problems. Otherwise, it will be practically impossible to manage the cities if, as has been the case, the policies on supplies of drinking water, power and electricity, and transportation services run along separate lines. This has been happening even though Article 134 of the Organic Law on Municipal Governments in a timely and efficient way requires, among other things, that the provincial municipal government's representatives have a majority vote on the boards of directors of the public enterprises that provide urban services, such as SEDAPAL, ELECTROLIMA and ENATRU. And if we assert that the law must be enforced so that urban planning and development will be possible and the necessary elements can be provided to coordinate the land use policies with the policies that govern basic services, then it follows logically that the city governments must be helped to make timely and efficient use of vacant lands, and must be empowered to expropriate lands for social purposes.

This means, then, that meeting the needs of those most desperate for land in the cities also implies enforcing municipal powers to expropriate, as stipulated in the original draft of the current Organic Law on Municipal Governments. This would permit the control and legal disposition of the land and urban lots for the execution of programs for urban development, remodeling, eliminating slums, widening roadways, the physical clean-up and legal clarification of human settlements or shantytowns, and the establishment of urban services where needed.

Finally, at the risk of turning this commentary into a list of demands, we must agree that it is impossible to have an efficient urban administration without the necessary resources. Unfortunately, the poorest districts or provinces often lack such resources. Nevertheless, it appears that we still have a long way to go; just look at the bill for next year's National Budget of the Republic, which allocates tens of billions of soles for agencies such as Popular Cooperation and not a red cent for the municipal governments.

President Faces Choices

Lima QUEHACER in Spanish Oct/Nov 85 pp 44-45

[Article by Cesar Hildebrandt]

[Text] During the 1930s APRA was, in the view of the dominant classes, a guarantee of a civil war that could be won by the undesirable mob of cane .pa cutters, radical intellectuals and proletarians that made up the social base of the APRA movement.

Today those dominant sectors regard APRA as perhaps the last card they have left to play to prevent the civil war that Peru, in its disastrous situation, is beginning to deserve.

The heretics of yesterday could become the trustees of today. That is APRA's dilemma: how to prevent social democracy from ceasing to be the "second debut" of an impossible system (in the best style of Carlos Andres Perez); how to bring about a revolution without a central committee, central planning or a sole organ of the press.

The 90-day honeymoon is over. So is the state of grace. But there is a big difference between losing its virginity (the Garagay invasion, the El Sexto massacre) and becoming a nymphomaniac. And the choice is clear: Either the state assumes responsibility for representing the interests of the majority, or it represses those interests in favor of representing the "patriotic" business sector and the Armed Forces.

Alan Garcia, true to his campaign promise, has governed for all Peruvians. I think that from now on, his persuasive prowess will begin to wane. The president will have to make a choice, and the choices will be increasingly drastic. What Garcia should understand is that jeering from part of the audience is inevitable (only Pavarotti can please everyone). He must also realize that governing in Peru means not administering but changing, replacing, eradicating, creating. There is no continuity to maintain here, but rather a vacuum to fill.

During these past 90 days, Garcia has given the country renewed hope, decency and leadership. That can only be disputed by the usual cannibals. A country in ruins--the work of an architect--a country that stinks, has found in Garcia the possibility of vindication. One thing is clear: The president's youth is in inverse proportion to the age of our problems and is directly related to how sick and tired everyone is of the traditional politicians. But whether or not the country can look to those traditional politicians in 1990 with renewed respect depends on the president. What has President Garcia done in these first 90 days? Subjectively, a lot. Objectively, almost nothing. He has strengthened his leadership through words--always successfully and before the most demanding audiences--but it is as if his meteoric election campaign were trying to keep going. In terms of deeds, he has put his finger in the dike and exposed a fragile economic policy to the predictable sabotage by the right. To cite an example, promoting production is one of the president's favorite slogans, but the inevitable question arises: What production? What kind of production? That of Mr Nicolini, or that of the chicken farmers who have been strangled by the oligopoly that gentleman represents?

In the international sphere, he has presented with brilliance and courage his position of rebellion against the IMF and the international financial system. But no spectacular progress should be expected in this regard. The system has reacted, and it will try to isolate the Peruvian virus. We will probably be abandoned for some time. And it remains to be seen whether any distortion takes place between word and deed.

Finally, I would like to make a comment. I am overwhelmed and frightened by the idea that Alan Garcia's government may be a new frustration. I think that the next alternative will be authoritarian (and almost certainly on the far right). But I also think that if Garcia does not fail and carries out--or begins to carry out--the revolution we need, it will be in spite of his party, in spite of the irresponsible press, in spite of the murderous Shining Path, in spite of many of his ministers, in spite of the military command in charge of the emergency zones, in spite of the powerful sabotage by the oligarchy, in spite of our habitual irrationality. In spite of too many things.

In other words, Peru needs for Garcia to be successful. But it is beginning to do everything possible to ensure his failure. It is well known that there is an old romance between Thanatos and the history of Peru. If this happens, I think we will have learned an invaluable lesson about our inability to live under a democracy; and Bolivar will have been proven right.

Agricultural Policy Examined

Lima QUEHACER in Spanish Oct/Nov 85 pp 46-49

[Article by Orlando Plaza; passages enclosed in slantlines printed in boldface]

[Text] Rather than judging the agrarian policy pursued over the past 90 days in terms of specific and concrete accomplishments, we intend to present to the leader a series of elements that will enable him to analyze the coherence of the proposal that APRA is advocating to deal with the agrarian problem. It will be interesting, therefore, to see how far we have come in diagnosing the problem and what foundations have been laid to meet this challenge, which the government acknowledges to be longstanding.

How to Approach the Agrarian Problem?

Contrary to what many believe, the agrarian problem is not limited to what is happening on the farm or in the countryside; it is directly related to the overall development of society.

This point is important, because politics is not merely a matter of desires, but an activity defined by the limitations of a country's structure. It is also important because a pattern of development cannot be reversed automatically, no matter how fervently one wishes to implant a new model of development.

When we speak of a model of development, we are referring to the concept that lies at the heart of the various policies, programs, actions, distribution of resources, prioritization of problems, etc. In other words, we mean the choice that is made to achieve the proposed objectives. By pattern of development we mean the structural organization of the economy, the society, the relationships among the various sectors of production, the importance and role of the regions, etc. Therefore, any model of development that is selected by a given government must be based on the pattern of development so that it can be transformed, modified or promoted.

Aspects of Agrarian problem

1. The agrarian problem, for this reason, should be placed within the context of all these problems. This is true because, among other reasons, if agriculture is to be treated as an economic sector, its subordination to the industrial, financial and major capital sectors must necessarily be taken into consideration. Behind the interrelation of all these sectors is a problem of subordination that should be confronted so that such matters as economic resources, technology, prices, supply and demand can be dealt with efficiently.

If this approach is not taken, the agrarian problem is reduced to a mere problem of productivity, of the relationships among economic sectors that are supposedly equal and are governed naturally by the laws of supply and demand. And that is what has been said and done for more than 35 years; until today, all agrarian policies have aimed at boosting productivity and/or raising the income of rural producers. The problem, however, is not limited to productivity and the poverty of the producer; the root of these evils lies in the existing interrelation among the different economic sectors.

2. A second aspect to consider in order to understand the country's agrarian problem is the recognition of the presence of social groups and classes in the rural sector, all of which have different interests that, under different social forms and material conditions of production, express the different degrees of development in the countryside. And contrary to popular belief, the rural sector is not homogeneous; it includes different classes, social groups and economic conditions. Moreover, some sectors are in the lead economically, while others are far behind. It is important to have a clear understanding of this point so that we can establish which groups will be given priority, which rural social sector will be chosen as a social base from which assistance, cooperation and energy will be demanded so that one change or another can be brought about.

3. Finally, approaching the agrarian problem involves a familiarity with rural society and its forms of articulation and reproduction. Throughout history, it appears that when agrarian policies have been devised, isolated producers have been chosen for stimulation with technology, credit and prices, and it has been felt that they should react automatically. Such is not the case. "Rural" denotes a specific form of social reproduction in which the material conditions of production, the economy, politics and the social fabric form a particular nucleus that makes possible the reproduction of the current conditions under which rural dwellers carry out agricultural, social and economic activities, the reproduction of the groups in power.

What Should Change

To deal with the agrarian problem properly, a number of concepts and dichotomies that have impeded the correct approach to the problem must be eliminated.

In the first place, when one mentions the term /"agrarian policy"/ one thinks in general of the most modern agricultural sector, and of the best way to meet the urban demand for food. For this reason, it is assumed that stimulating producers on a differentiated market with prices, credit and inputs is enough to solve the problem. On the other hand, a number of programs and actions aimed primarily at the Andean zone and the peasant economy have been lumped together under the term "rural development." This development will require a series of policies (at the micro level) with marginal resources to solve the problem. The differentiation is important, because it forms the basis of the structure of agrarian credit, state support agencies, the distribution of resources, experimental stations, technical extension, and even the universities.

Thus, the macro aspect refers to agrarian policy and the micro to rural development. To deal with the agrarian problem properly, this separation must be eliminated, and rural development must be linked to policies.

In the second place, approaching the agrarian problem correctly requires that a series of dichotomies be overcome:

/a) Between the rural and the urban/: Neither one can be understood in isolation of the other. Nevertheless, this is often attempted, and it is believed that the urban sector excludes the large coastal cities. Thus, if one speaks of the urban problem in the Andean zone, one is not understood because it is assumed, for example, that Huancavelica is in the countryside, and therefore does not suffer from urban problems. Rural development cannot be divorced from any relationship with the cities or from the overall urbanization process in the country, because it is the populated centers of the microregions that are organizing the social, economic and political life of the rural sector. They are the seats of local power and the transmission lines of public and private institutions. They are the points where rural production is concentrated by being sent outside, and they make possible the distribution of industrial goods. Without the centers of population, agrarian production would be sparse and fragmented. Through them, the peasants can sell their products and the results of their efforts, and can reproduce as peasants. The meaning and the activities of the centers of population must be reoriented for the rural zones.

/b) State and society/: It is generally felt that the state is an element that can organize society independently of how society functions. It is supposedly enough for the state merely to establish objectives and then achieve them through various policies accompanied by copious legislation, to set society moving in the desired direction. It is believed that the state can organize everything, independently of the specific functioning of society, and that is a serious mistake.

/c) Macro and micro/: As indicated above, it is felt that the Andean rural problem is a micro, local problem that bears no relation to the overall policy (macro) established for the more developed sectors of the countryside. People do not tend to perceive the rural problem as immersed in the economic dynamics of society, and in this regard, as a contradictory whole, where the minifundio has to do with the problem of prices in general, to cite one example.

/d) Modern and traditional/: In general terms, the dualist theory has not yet been eradicated, although the contrary is asserted. Thus, in terms of formulating rural development policies and programs, /the images/ of the problem carry more weight than the analysis and functioning of the social structure. Over a period of more than 30 years, a series of images was maintained that ended up having much more weight than the social structure itself when it came time to make decisions. For this reason, people think and act as if the peasants were exclusively farmers, and that is not so. It is assumed that rural society is a combination of isolated problems, and that is not so, either.

We need to seek alternatives and overcome these problems by drawing on the experiences of the social and agricultural sciences.

APRA Policy

All of the above should enable us to pose a series of questions: Does the APRA proposal view the agrarian problem this way? Is there a clear idea of the meaning of the country's current pattern of development with reference to the agrarian problem and its relations with other sectors? Is there a concern to build a model of development that would be based on the current pattern of development but allow us to find coherent and therefore viable alternatives to this longstanding problem?

So far no clear guidelines have appeared in this regard. On the contrary, it seems that officials are repeating the old error of separating a /"macro"/ vision focusing on prices, credit and inputs for the modern sector, from a /"micro"/ vision that does not know how it will function for the mountainous region, despite the president's political rhetoric contending that the mountains should be given priority.

The diagnosis on which the microregions are based, on the other hand, is correct. There is a concern not only for bringing traditional policies to the rural sector, but also for placing it within a broader policy that will ensure the marketing of products to guarantee them a given price and to seek profitability.

There are still several problems, however: how the higher farm prices will relate to the general policy of freezing urban prices; how the promised credit subsidies will be implemented.

On the other hand, the creation of the microregional development committees is a step forward; but all that will lead in the medium term to a process of agrarian restructuring of the production system and of the existing forms of ownership and landholding in this zone. It would appear that no one is bearing these problems in mind.

Truly facing the agrarian problem from the standpoint of the country's development, which would overcome the dichotomy between agrarian development and rural policy and would give priority to the mountainous region, poses several challenges:

1) Reversing the type of social, ethnic and political relations that govern Peruvian society as a whole.

2) Channeling and changing the current pattern of accumulation that leaves the Andean rural zone in God's hands, as neither private capital nor state capital is interested in these areas either because they are not profitable, because there is no political force there, or because the peasants are simple peasants.

3) Reorganizing the state apparatus to deconcentrate it.

It is not just a question of mobilizing officials, nor does it apply exclusively to the Ministry of Agriculture; it has to do with all sectors, particularly all offices that are related to enterprises such as the National Enterprise for Industrial Marketing (ENCI), the Rice Marketing Enterprise (ECASA), the Agrarian Bank, or INIPA. This is an indispensable step to stop the trend of handling and solving problems product by product in isolation of each other (because the peasants do not work with just one crop, but with systems of crops) or by marketing circuits (because the peasants have their own, from which they derive other benefits).

4) Creating an adequate flow of technology that can guarantee a social and economic dynamic, with constant input and feedback from the forms of production, both agricultural and industrial, and from the connection between these, to ensure the steady development of the forces of production.

The universities, research centers and experimental entities should be involved in this effort, since all of them aim at linking the peasant world to the agrarian world in general, in a vision that combines the micro with the macro. So far we have hardly done anything to generate our own flow of technology based on scientific creation and the adaption of the conditions of real production. When we speak of technology, we think of importing packages or of recreating in situ something that was successful 400 years ago, but we do not think of utilizing our current social wealth and all the accumulated knowledge that is spread around the country.

5) Regarding the population's capacity as a force of production and a condition for democratization.

Although the microregionalization proposal does create some committees that move in this direction, the problem is how to take on the social organization of production and its specific forces. This is a scientific and technological challenge, but above all it is a force of production that articulates not only to sell its products, but also primarily to establish a social relationship among the different peasant communities and organizations. Thus, a broad cooperation among the forces of labor, knowledge and the social organization of production could be established to contribute to the transformation of the foundations of socioeconomic and political exploitation of rural society.

The organization of the population should be understood, therefore, as a force of production, an instrument of democratization in the countryside, and the centerpiece of rural development. The autonomous organization of the peasantry should not be impeded, because without it there is no guarantee of change. Peasant organization is a necessary condition for solving the technological problem, the control of natural resources, and the fragmentation and dispersal of the peasants themselves, and for removing private and local powers.

6) Finally, promoting a foreign policy that is consistent with the development of the forces of production and rural development, eliminating the international institutional framework which today regards us as the recipients of models, planning proposals, and genetic experiments, and which we accept passively.

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CSO: 3348/199

CIVIL GUARD, POLICE RECEIVE WEAPONS SUPPLY

Lima EL COMERCIO in Spanish 11 Nov 85 p A-3

[Text] The Ministry of Interior has just purchased 10,000 submachineguns and 1,000 mini-machineguns from CEFAR [Weapons Manufacturing Center] of SIMA [Maritime Industrial Service]-Callao to equip both the Civil Guard and the PIP [Peruvian Investigative Police].

Also 5,000 FAL's [light automatic rifles] and 10,000 revolvers will be purchased abroad for the Civil Guard since they are still not produced here.

Delivery of the weapons purchased from CEFAR will begin next month, according to the deputy minister of interior, Agustin Mantilla Campos, in an exclusive interview with EL COMERCIO.

This is a large shipment of MGP submachineguns designed and produced wholly at SIMA by Peruvians experts in 1979. The original model has been perfected with the passage of time, achieving a weapon of excellent quality.

They have also purchased 1,000 MGP-84 mini-machineguns to equip the PIP's security forces for dignitaries.

The mini-machinegun is a small weapon 28 centimeters in length that, like the submachinegun, uses 9-mm bullets that can be fired in a burst. The difference is that it can be carried concealed under the arm without arousing suspicion.

It is ideal for the personal security service protecting the president of the republic, ministers, diplomats and officials in general.

Deputy Minister Agustin Mantilla said that it is an important acquisition to equip our police forces which lack basic weapons.

He gave the example of the Civil Guard where, according to official figures, only 52 of every 100 policemen have revolvers.

In that same corps, the "Sinchis" of Mazamari and the members of UMOPAR [Motorized Rural Patrol Unit] need FAL's for their fight against subversion and drug traffic, real antisocial groups that have sophisticated weapons in their possession.

CEFAR is under the Peruvian Navy which is clearly pleased about this decision by the Ministry of Interior since it means important support for the national arms manufacturing industry.

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CSO: 3348/201

PROPOSED MILITARY PROMOTIONS ANNOUNCED; NUMBERS LIMITED

Lima EL COMERCIO in Spanish 13 Nov 85 p A-2

[Text] The minister of aeronautics, Air General Jose Guerra Lorenzetti, yesterday went to the National Defense Commission of the Senate to report on the proposed promotions endorsed by President Alan Garcia.

The president's representative on this commission, Carlos Enrique Melgar, revealed that "even though the proposed promotions have not yet been approved, everything seems to indicate that they will be approved by the commission."

The minister reported that the following FAP [Peruvian Air Force] major generals have been proposed for the top rank of lieutenant general: German Bucetich Zevallos, Cesar Gonzalo Luzza, Alfonso Salas Morales, Juan Hoffman Gonzalez, and Cesar Olivera Fernandez.

The following FAP colonels have been proposed for the rank of major general: Jose Poggi Gomez, Luis Chavez Coronel, Anatolio Alegre Pacheco, Miguel Chajhut Rossi, Armando Llosa Alvarez, Edgar Zuniga Larenas, and the finance officer, Oscar Carrillo Tuestas.

Melgar announced that he will meet again with Jose Guerra.

Promotions in the Navy

The minister of the Navy, AP [Peruvian Navy] Admiral Julio Pacheco Concha, reported that a limited number of promotions have been proposed in the Navy for next year. The promotion of only five vice admirals and nine rear admirals has been proposed.

He said that there will be one vice admiral and three rear admirals less in the National Navy in 1986.

The proposed promotions which have been approved by that commission are:

Rear admirals promoted to vice admirals: Oscar Johnsen Raygada, Oscar Ardenson Noriega, Augusto Fernandez Hidalgo, Gonzalo Gambirazio Martini, and Augusto Parodi Rivera.

Ship captains promoted to rear admirals: Walter Indacochea, Queirolo, Jorge Arteta Miranda, Fernando Jimenez Roman, Carlos Ponce Canessa, Francisco Ravines Cardozo, Roberto Duboc Deza, Jose Di Bello Doria, Juan Freyre Roncagliolo, and Jaime Carrera Rivera.

In the Army

The Army command only proposed four brigade generals to the Senate for promotion to the rank of division general. It was learned that 16 colonels will be promoted next year.

The number proposed is lower than in 1984.

The following brigade generals will be proposed for promotion to division generals: Alejandro Antunez de Mayolo, Artemio Palomino Toledo, German Gonzales Reyes, and Julio Velasquez Giaccarini.

The colonels are: Alfonso Robledo del Aguila, Julio Valverde Butron, Victor Malca Villaneuva, Rodolfo Trelles Meneses, Victor Herrera, Juan Soto Perez, Sergio Valqui Casas, Luis Monzon Yepez, Juan Campos Luque, Lucio Segura, Gustavo Balbin, Lewis Weiss Ikeda, Victor Pizarro, Juan Pendola Alania, Gerardo Bermedo Hidalgo, and Victor Obando Salas.

7717
CSO: 3348/201

MINING ENTERPRISES LOSING $10 PER TON PRODUCED

Lima EL COMERCIO in Spanish 11 Nov 85 p A-4

[Text] A sign of the crisis which some mining enterprises is going through is that, for each ton produced, there are losses, in some cases of more than $10.

With the exception of Canaria, the balance is negative in Rio Pallanga, Atalaya and Posco.

Operating costs are higher than revenue, according to the final report of the commission that evaluated them.

The fact that the prices were higher on the international market for four out of five products at the time of the evaluation aggravates the situation.

According to the official report, operating costs--not including depreciation and financial expenditures--were about $24.47 per TM [metric ton] for Atalaya. Revenue was about $19.95. Therefore, it lost $4.52 per TM.

At Posco, the operating costs were $29.35 per TM with revenue of $28.50, a loss of $0.85.

Rio Pallanga works with the Alpamarca, Carhuacayan and San Jose deposits. Their cost/revenue ratio was as follows:

Alpamarca, $8.33 (cost), $5.12 (revenue), loss of $3.21; Carhuacayan, $18.29, $7.80, loss of $10.40; and San Jose, $15.66, $5.00, loss of $10.66 per TM.

Only Canaria had a balance in the black since its operating costs were $35.40 and its revenue $52.80. In this case, the positive balance was $17.40.

The commission established that the daily capacity of the Atalaya mine is about 450 TM; Posco, 120 TM; Alpamarca, 1,500 TM; Carhuacayan, 1,000 TM; San Jose, 500 TM; and Canaria, 200 TM.

Therefore, the commission decided that Rio Pallanga, Atalaya and El Aguila cannot pay for their operating costs.

Posco can pay its operating costs, but not its debt amortization and interest. The only one that would be profitable is Canaria, after financial reorganization.

Total Debts

As of 30 September, the debts of the enterprises totaled $32,168,900.

Rio Pallanga owes $11,969,000: 49.6 percent to Banco Minero; 39.6 percent to MINPECO [Peruvian State Mineral Marketing Company]; 6.5 percent to other creditors; and 4.3 percent to its workers.

Atalaya owes $10,127,600: 56.9 percent to Banco Minero; 28.3 percent to MINPECO; 10.9 percent to other creditors; and 3.9 percent to its workers.

Canaria owes $4,530,200: 69.3 percent to Banco Minero; 5.6 percent to MINPECO; 10.3 percent to other creditors; and 14.8 percent to its workers.

Posco owes $5,542,100: 38.9 percent to Banco Minero; 56.8 percent to MINPECO; 3.7 percent to other creditors; and 0.6 percent to its workers.

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CSO: 3348/201

BRIEFS

NEW WELLS, EXPLORATION PLANNED--In the next 7 months, PETROPERU [State Petroleum Agency] will finish drilling eight new development wells in the oil block of Leones (Talara) in order to commercially develop the 1.2 million barrels of crude oil confirmed there. According to the general manager of that state enterprise, Carlos Lizier Gardella, the drilling of each new well will require an investment of approximately $400,000. It will be done with the enterprise's own specialized personnel and equipment. As is known, PETROPERU has just announced the discovery of an exploratory well in Leones, 15 kilometers northeast of Talara near Lobitos, after drilling 4,833 feet down into the geological structure called "Mogollon." The drilling was done with the enterprise's own equipment (motors, winch, tower, framing, mud control) which was meticulously repaired since it was in very bad condition. Now this well whose production is 1,000 barrels per day is bringing oil to the surface without any special pumping equipment. The crude oil flows by gas pressure and will probably continue doing so during the next 7 months. As part of the aggressive work to maintain or expand crude oil reserves in the country, the top officials of the enterprise have ordered new exploration, especially in the zones of Portachuelo and Lancones. Other important areas where oil could be found will be restudied geologically. One example is Lagunas where it is estimated that there are major reserves similar to or slightly smaller than those found in Laguna Zapotal, 40 million barrels. PETROPERU now has 13 sets of drilling equipment in operational condition; two are being used at the Laguna Zapotal project. Three are not operating due to a lack of parts which affects optimal work. [Text] [Lima EL COMERCIO in Spanish 7 Nov 85 p A-9] 7717

IRAN, NIGERIA NEW MARKETS--Chimbote, 7 Nov--Peru found new markets for frozen and canned fish exports, according to information received today by telephone from deputy Freddy Ghilardi Alvarez in Munich, Germany. The countries that will buy our products are Nigeria and Iran which need to compensate for their protein shortage. The parliamentarian remarked that he is participating in the 25th World Congress of Fishing Countries that is being held in Munich. This will be an opportunity to obtain better prices for Peruvian canned fish. He also mentioned that the Peruvian delegation participating in the Munich congress will meet in Paris with the president of the French Chamber of Deputies and representatives of other institutions, mainly to obtain technological and financial collaboration in the exploitation of the coal seams of Pallasca, Cabana, Conchucos and Chicama. [Text] [Lima EL COMERCIO in Spanish 9 Nov 85 p A-16] 7717

RECORD MAN-HOURS LOST IN OCTOBER--Minister of Labor Carlos Blancas said yesterday that more than 400,000 man-hours have been lost due to strikes in October. He feels this is a record for the country. He added that an average of less than 1 percent of the unionized workers in the country have been on strike in the last 6 weeks. He maintained that these figures are really the lowest that have been recorded in the last 5 years. He felt that these strikes have also been very short because his sector is acting immediately to achieve an agreement between the parties through conciliation. He added that more than 50 percent of the demands are being resolved through direct talks. He also indicated that the business sector is not against the labor stability bill that Parliament is debating because it understands that it complies with a constitutional norm. He stated: "It especially guarantees security to the workers against the possibility of a dismissal that could not be fully justified." However, he noted that although labor stability is a right established in the Constitution, the worker who makes a serious mistake can be dismissed if his conduct is illegal, according to the bill approved in the Chamber of Deputies. [Text] [Lima EL COMERCIO in Spanish 5 Nov 85 p A-4] 7717

GARCIA STATEMENTS AT FAO MEETING--Speaking before the Rome press, Peruvian President Alan Garcia said that he seeks the emancipation of his people and the solution of the problems of social inequalities. Garcia is in Rome attending the 23d FAO sessions. After stating that his proposals go against the imperialist domination model, the Peruvian president spoke in favor of all movements or meetings in Latin America that seek a hemispheric stand, particularly concerning the foreign debt problem. Shortly after that and during another news conference, U.S. Secretary of Agriculture John Block said that he has his reservations about the actions being planned by the Peruvian Government concerning the debt and rejected Alan Garcia's accusations against the World Bank and the IMF. Speaking before the 23d FAO sessions, the Peruvian president harshly criticized the creditor nations for not understanding the need for a political solution to the foreign debt problem, which he described as unjust and stemming from unequal exchange and protectionist measures. [Text] [Havana International Service in Spanish 0000 GMT 13 Nov 85]

AID TO PERU--Bonn, 4 Nov (ADN)--The Federal Government has promised Peru DM21 million for technical aid and a loan of DM50 million this year. This is to promote agriculture among other things and to finance the development of the country's health and school sectors, the Federal Ministry for Economic Cooperation announced on Monday at the end of government negotiations in Lima. [Text] [Hamburg DPA in German 1114 GMT 4 Nov 85]

USSR-PERU DEBT NEGOTIATED--Peru will pay its debt to the USSR exclusively with products instead of cash from 1985 to 1990, according to the minister of industry, trade, tourism and integration, Cesar Atala, yesterday. During the first part of the negotiations, it was agreed that 25 percent of the amount that will be paid annually will be in traditional exports and 75 percent in nontraditional exports. The round of negotiations between the two governments will culminate in Lima in December. Atala told EL COMERCIO that the initial meetings in Moscow were arduous and difficult, but they finally agreed on the method and percentages for the complete payment of our debt to that country. [Text] [Lima EL COMERCIO in Spanish 9 Nov 85 p A-4] 7717

ARGENTINE CREDIT LINE--Lima, 5 Nov (AFP)--Victor Lisandro Artieri, the economic and trade secretary of the Argentine Embassy in Lima, today announced that Argentina has opened a $100-million credit line for Peru to purchase farming equipment. [Excerpt] [Paris AFP in Spanish 1556 GMT 5 Nov 85]

CSO: 3348/201

COMPTON AT UWP CONVENTION, PREDICTS ECONOMIC UPTURN

FL050205 Bridgetown CANA in English 2141 GMT 4 Nov 85

[Text] Castries, 4 Nov (CANA)--St Lucia Prime Minister John Compton has told the annual convention of his United Workers Party (UWP) that next year will see a step-up in economic activity here.

In a two-hour-long address to the convention yesterday, Compton gave no hint of any intention to call early general elections, as some opposition politicians have been predicting. He indicated that the government would use the remainder of its five-year term to press ahead with its development programmes.

He said: I can...predict with confidence that, short of a natural disaster, we shall see St Lucia on a path of economic growth unequalled at any time since the decade of the seventies, when we led most of the countries in the Commonwealth Caribbean.

He reminded party delegates of the troubled state of the country's economy when he assumed office in 1982, adding that St Lucia's recovery so far had been all the more remarkable bearing in mind the world economic situation and the continuing problems in the Caribbean Community (Caricom).

Declared Compton: It is no secret that, with the exception of Barbados, all the so-called more developed countries--Jamaica, Guyana, and Trinidad and Tobago--have had to take drastic action to halt their economic decline, and such action has had an adverse impact upon our industrial exports and our industrial employment.

The fluctuation of the British pound, Compton said, had also adversely affected the island's returns from its banana trade with Britain but had not deterred St Lucia's farmers.

And despite the recession in the U.S. economy, St Lucia's tourist arrivals had reached new heights, he commented.

He added that, except for bringing government expenditure under control, the repairs to St Lucia's economy are all but complete, and St Lucia is poised for the takeoff.

Next year would see much economic activity, Compton said, with the undertaking of a number of projects which had been held up because of the government's inability to meet local costs.

He urged St Lucians to guard the gains which they had achieved. And, referring to the period of decline under the last government, he added: We who have seen the things we have given our lives to build destroyed, have begun the task of rebuilding, and from all indications we are succeeding.

It is for us to guard it this time, preserve it with our vigilance, because St Lucia was given a second chance. If we destroy it this time, we will not deserve a third chance.

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CSO: 3298/127

BANANA GROWERS REVIEW SECURITY, OTHER PROBLEMS

Castries THE WEEKEND VOICE in English 12 Oct 85 p 6

[Text]

FIRM measures are being taken to tighten security at St. Lucia Banana Growers Association (SLBGA) offices and paying centres in various parts of the island, outgoing SLBGA Chairman, Rolin Fernand has revealed.

Addressing the Nineteenth Annual Conference of Delegates last week Fernand disclosed that the measures were a direct response to a number of hold ups which had recently taken place at SLBGA offices.

He told the delegates that the "rash of robberies" could result in loss of life of either paymistresses, banana growers and officials. "The Association, mindful of this fact, is seeking to implement the best measures of paying growers, but the cooperation of all the island's banana growers is necessary if we are to succeed," Fernand said.

He gave no details on the firm measures but announced that it would be necessary, in the long term, to pay banana growers by cheque or to have their banana payments made payable in banks situated in various parts of the country.

Said Fernand: "I therefore urge all delegates to inform their various branches of all intended measures and to solicit the cooperation of their fellow banana growers in opening bank accounts."

The outgoing Chairman also stressed that every effort should be made to consolidate the Association's reserves saying that there had been a "marked reluctance" on the part of aid agencies to assist in times of disaster. While the SLBGA was actually pursuing efforts to establish a hurricane scheme it must also take steps to build a strong disaster and price support fund to draw from in the event of any disaster which may recur in between, he said.

On the troublesome question of fruit quality Fernand said it was vital that "we continue to maintain a high level of quality bananas on the U.K. Market if we are to enjoy the protected status granted us by the British Government."

"We agree that the profit margin can be increased but it devolves on us all as banana growers to produce a level of quality bananas on the market so that we can benefit on an overall basis from the fruits of our efforts," he added.

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CSO: 3298/128

CASE OF TEACHERS UNION OFFICIAL INVESTIGATED, ASSESSED

Union Statement

Castries THE WEEKEND VOICE in English 5 Oct 85 p 1

[Text] The St Lucia Teachers' Union (SLTU) has broken its silence on the resignation of its General Secretary, Alfred Jn Baptiste saying that he resigned three days after he was suspended by the National Executive.

A statement released by the SLTU yesterday said JN Baptiste was suspended by the National Executive on September 20 after he refused to cooperate with the President and secretariat who had been requesting a formal explanation from his "regarding numerous discrepancies in the Union's finances discovered by the President as a result of an investigation that lasted from July to August 1985."

Jn Baptiste said in his resignation letter which was undated that he was donating the next three years of himself and his overall development, after which he would be more equipped "to stand in the battle zone."

He served as General Secretary of the SLTU for the past six years and president of the Caribbean Union of Teachers (CUT) for four consecutive years.

The SLTU statement said the President had investigated five years of financial discrepancy" and because of the nature of the evidence uncovered, the matter has been handed over to the Union's solicitor and the police."

The statement added: "In light of the fact that the matter is now in the hands of the police, the National Executive awaits a completion of the investigations before making any further decisions regarding the General Secretary."

The statement also said the National Executive of the SLTU had not discussed Jn Baptiste's letter of resignation as the "circumstances which led to his resignation are still under official investigation."

It had become necessary to "clear the air of the mounting speculation surrounding the published resignation of SLTU General Secretary, Alfred Jn Baptiste," the statement said.

Meanwhile, a reliable source has informed THE VOICE that Jn Baptiste is out of the island and has threatened to expose certain activities of other union members in the island if they insisted on spreading rumours about his affairs in the SLTU.

Police Probe

Castries THE WEEKEND VOICE in English 12 Oct 85 p 2

[Text] Police have confirmed that financial irregularities in the St. Lucia Teachers Union (SLTU) have been referred to them for investigation. A police spokesman said this week that the financial discrepancies discovered by the executive of the SLTU were passed on to them by the Union's solicitor.

The discrepancies led to the suspension and subsequent resignation of SLTU General Secretary, Alfred Jn Baptiste who is currently out of the country.

Meanwhile, in our front page report on the SLTU statement on the affair published last weekend (Oct. 5) it was erroneously stated that the President of the SLTU had investigated five years of financial discrepancy. This should have been "five areas of discrepancy."

Workers Revolutionary Movement Role

Castries CRUSADER in English 12 Oct 85 pp 1, 8

[Text] There are two theories floating around about the details surrounding the resignation of Mr. Alfred Jn Baptiste the Secretary-General of the Teachers Union The Union through its President Jean Francois and its Legal Adviser Mario Michel has taken the stand that Mr Jn Baptiste has refused to account for large sums of Union money which was kept separately in an account at the Cooperative Bank and after a thorough investigation Mr. Jn Baptiste was suspended and as a result of this suspension he submitted his resignation to the Union. The Union claims to have put the matter in the hands of the Police.

The second theory is that the comrades of Mr. Jn Baptiste in both the Workers Revolutionary Movement and the Industrial Solidarity Pact have decided to make a scapegoat of him for his failure to cooperate fully with them in confidential matters. Mr Jn Baptiste himself has expressed this view in a memorandum which he has circulated to certain organisations and individuals in St. Lucia. It is from the contents of this memorandum that the Voice of St. Lucia in its Saturday last edition said that Mr. Jn Baptiste had threatened to expose his erstwhile comrades if they persist in maligning and discrediting him. Mr. Jn Baptiste has clearly stated that both the President of the Union and the Organisation Committee of the Workers Revolutionary Movement were fully aware that some of the funds from that particular account was being used to finance the office of the WRM and to pay the person employed at the office. Mr Jn Baptiste goes as far as saying that the WRM sent him the money by way of refund after the fact was in the fire but he refused to accept it since he was convinced that his comrades were out to destroy him.

There is not sufficient evidence and hard fact around to determine which of the two theories are valid. One fact is however incontrovertible that an Overseas Agency had made funds available to the Teachers Union and the funds were placed in a Special Account with the General Secretary as the sole signatory. The question now is whether this was done with the full knowledge of the President of the Union or not. The further question arises whether the National Executive was aware of this or not.

Anyone with a vague familiarity with the operation of groups such as the WRM will know their emphasis on strategy, tactics, discipline and infiltration. The Militant Tendency operating in the United Kingdom as a parasitic body to the Labour Movement provides a model for this type of Group. The modus operandi is to infiltrate the Executive rather than the rank and file of organisations and develop itself by virtually living off the parent body. Given this method of existence it is not far-fetched to conceive that the WRM would in no way consider it highly irregular to poach off the funds of the Teachers Union or any other Union to which it has access. The difficulty in accepting Mr. Jn Baptiste's theory is that the WRM officers should surely be perceptive and tactic-conscious enough to realise that if they made an example or a scape goat of Mr. Jn Baptiste that he would most certainly blow the whistle on them. Another difficulty arises in the ambivalence of Mr. Jn Baptiste colleagues on the ethics of morality of such an action as the use of Union funds for the promotion of the work of the organisation. Some extreme groups hold it as an organisational duty to find funds for their operations and raiding banks and committing felonies for this purpose are certainly not ruled out. If Mr. Jn Baptiste was persuaded along this line and his colleagues upheld him in the view that the work of the WRM was sufficiently important to use the Union funds for its promotion then his colleagues could not then turn around and nail him for such an action without laying themselves wide open to a complicity charge.

Some of Mr. Jn Baptiste colleagues in the WRM and the ISP are now, rather late in the day, suggesting that most of the funds might have been used for personal expenses. Maybe the investigations which the Union claims to have conducted would reveal what proportion went to personal use and what proportion, if any, went into organisational funding. It is crucial that this point should be explored since it is a convenient tactic for Mr. Jn Baptiste (an his last Secretary's Report to the Teachers Union was a virtual dissertation on tactics politics and Unionism) to implicate the persons who brought him to book. It would be to the credit of the WRM if they could offer conclusive proof that the funds were not used in part with their consent for the activities of their organisation. If they are unable to do so then it would appear that groups of this ilk reserve the most unkindest cut for their comrades-in-arms. Coming in the wake of the events in Grenada when a clique of extremists dealt the most brutal blows to Maurice Bishop culminating in his death it is vital to establish that savagery and inhumanity is not the common currency of Revolutionary organisations. Che Guevara himself the dcyen of Revolutionaries maintains that humanity is the most vital quality of a Revolutionary. It is a corrolary of this statement that one should extend ordinary humanity and comradeliness to those who struggle alongside one. The rush to hadn over investigations which seemed rather incomplete to the Police did not carry the stamp of fairness. The rush to suspend the Secretary General even when it was clear that the Constitution of the Union did not permit this course of action is significant. The cover-up story that the suspension preceded the handing in of Mr Jn Baptiste's resignation is transparent and alarming.

Finally, these sheenanigans can do little except bring the Workers Struggle and the activities of Trade Unions into disrepute. It can also rebound against the common interest of those who struggle against corruption in traditional Capitalist institutions and most of all it can provide a convenient block-eye against Socialism. If Mr. Jn Baptiste slipped into corruption then there is no question of white-washing his misdeamenours. He should stand the consequences. But if he was, misguidedly or not, performing his organisational duty as a devout WRM protegee then his colleagues should have a different stance and mood, even if the law understands no such subtleties.

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CSO: 3298/127

NEW YOUTH COUNCIL PROCEEDING AFTER MEETING WITH GOVERNMENT

Report on 5 October Session

Castries THE WEEKEND VOICE in English 12 Oct 85 p 4

[Text]

THE impasse between the National Youth Council (NYC) and the Ministry of Youth is as good as dead. A joint meeting of youth groups and the Ministry discussed and resolved their troublesome differences which last month appeared to be heading for a crisis.

The youth groups and student organizations voted overwhelmingly in favour of officially launching the NYC on October 20 in order to proceed with the task of tackling the problems confronting them.

The National Meeting of Youth and Sports Councils which was held last Saturday at the Venezuelan Cooperation Centre was chaired by the Office of the Attorney-General which was asked by Prime Minister, John Compton to mediate in order to reach a speedy and amicable settlement.

Two crucial questions were put before the youth representatives present: whether they were sufficiently sensitized on the problems affecting youth and the need, aims and objectives of an NYC; and whether they had studied and were satisfied with the NYC draft constitution. But the answer was a resounding yes. Of the 14 districts represented only Mabouya Valley and the Archdiocesan Youth Organization abstained from voting. Mabouya Valley gave no reasons for their decision, but the archdiocesan representative said his organization was fully supportive of the present NYC but would not vote on a district basis because theirs was a national group.

The better part of the discussion saw district and youth group representatives criticizing the Minister of Youth, Romanus Lansiquot for what most of them agreed was his attempt to politicise the NYC and smear its name. At the same time most of them praised the efforts of the NYC in helping to revive youth organisations in their areas.

The proceedings were also punctuated by shouts of 'long live the NYC' and 'give youth a chance.' The students' representative gave a most moving speech in which he said that it was the students who had suffered most from the Ministry of Youth's quarrel with the NYC. He told of how certain students were threatened with expulsion if they did not relinquish ties with the NYC.

The United Workers Party (UWP) Youth Arm along with the Methodist Church and the youth arm of the local Pentecostal Assemblies said they were not consulted on the formation of the NYC last April.

But they also stressed that they had no quarrels with the principle of forming an NYC.

It was last April that youth groups and students organisations gathered in Soufriere for a weekend of consultations on problems confronting them and how to go about tackling those problems. The event climaxed with the election of the NYC and a national executive which was rejected by the Ministry of Youth.

The Ministry claimed that the Soufriere consultations had no mandate to elect an executive prior to ensuring that all youth groups were adequately consulted. Youth Minister, Lansiquot last month issued a strongly worded statement declaring the NYC null and void because it was committed to promoting doubtful ideologies in "our wonderful, stable and peaceful communities." He further said that those who supported the Council were enemies of the western world and the government of St. Lucia. He also informed of his Ministry's non-cooperation with the NYC.

At Saturday's meeting youth expressed the hope that Ministry and NYC would work together in a mutual, long lasting relationship in the interest of all the country's youth. They also made the following proposals: that a joint statement be issued on the settlement of the impasse; that the Ministry of Information release a ban on NYC news items over Radio St. Lucia; that youth put their general interest before ideologies; that the NYC should be the only genuine representative of all the island's youth; that the NYC National Executive should remain as elected at Soufriere and be ratified on the date of the launching, among other things.

Labour Organ's Coverage

Castries CRUSADER in English 12 Oct 85 p 9

[Text]

The controversial National Youth Council which has been subjected to a malicious and vicious attack by the Minister of Youth and Sports Romanus Lansiquot is to be officially launched on October 20th 1985.

This is as a result of a unanimous decision taken by youth groups on Saturday last, when they met to decide on the status of the National Youth Council, which was formed during a National Youth Consultation in April of this year, and which the Minister contended was not properly constituted.

Following reports that the Ministry was not happy with the National Youth Council and was not prepared to work with them, the National Executive on August 30th 1985 requested a meeting with the Prime Minister. The meeting was convened and it was agreed that the Ministry of Youth, the National Youth Council, and the Attorney General who would supervise the meeting, would meet to discuss the charges and counter-charges which had been made.

Between the 1st-30th of September 1985 three meetings took place the N.Y.C. and the Ministry of Youth which were involved in the dispute. At those meetings the graviences of the Ministry and the N.Y.C. were discussed and it was decided that a working committee be set up comprising of representatives of both parties with the Attorney General as chairman. Because of some of the charges made by the Ministry of Youth, it was decided by the committee that a meeting of all youth groups and organisations from around the island would be summoned to find out from among other things:

(1) Whether the youth were properly sensitised on the formation of National Youth Council

(2) Whether they agreed with the draft constitution and(3) If they agreed with the two previous points, they would then set a date for the launching of the Council.

Last Saturday youth groups from around the island met at the Venezuelan Co-operation Centre to discuss the very controversial issue which in recent times confronted the youth.

After the opening remarks by Barrister at Law, Mr. Errol Walker, of the Attorney General's Office who chaired the meeting, gave a summary of the Ministry's and N.Y.C.'S positions. The floor was opened for discussion.

During the three hour discussion, district after district stated their position. and expressed satisfaction with the work done by the National Executive of the N Y C. The young people expressed full confidence in the National Executive and unanimously agreed that they had been properly sensitised on the formation of the council, and agreed with the draft constitution. The youth then proceeded to set a date for the official launching of the council, and agreed upon Oct. 20th 1985.

It had been agreed by the two parties before that whatever decisions taken at that meeting would be binding on all concerned.

President of the N.Y.C Mr. Mario Michel told the Crusader this week that the meeting was an historic occasion, which brought an end to an era of controversy and confusion, leading to a new period of co-operation. However Mr. Michel expressed the view that he had been confident all along that the youth would decide positively as far as the destiny of the council was concerned. He said, " I had no doubt, fear or worry, since the matter was placed in the hands of the youth what the decision would be."

The Council's first President said that persons who hold the view that the young people were manipulated or brain-washed, are people who do not fully appreciate, the level of the indepedence of minds of youth in St. Lucia. He said, " When one makes statements about people brain washing youth, and poisoning their minds and so on they really do not sufficiently appreciate the independence of mind the St. Lucian youth today has, and the ability for him to think for himself."

Mr Michel said, that the National Youth Council is an amalgamation of young people from around the island and the question of ideology is not an issue, as the N.Y.C. cuts across ideological lines.

He said the meeting demonstrated the ability of the youth to stand up for what they believe in, and to express themselves against the back ground of attempts to instill fear and doubt in them.

Last Saturday's meeting has certainly slapped the Minister in the face.

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CSO: 3298/128

ENERGY MINISTER ON DIVERSIFICATION OF OIL EXPORTS MARKET

Caracas EL UNIVERSAL in Spanish 5 Nov 85 p 2-1

[Text] Although in absolute terms exports have gone down about 640,000 b/d [barrels per day] between 1976 and 1984, the truth is that the strategy to diversify both purchasers and geographic areas covered has helped strengthen Venezuela's ability to tolerate the pressures against that policy by purchasers who received Venezuelan oil before nationalization.

According to a document from the Ministry of Energy and Mines, diversification of the export markets of the country was formulated to reduce the vulnerability of our international sales. At the time of nationalization, there was excessive concentration in a small number of multinational enterprises, essentially former concessionaires, as can be seen in the following facts:

In 1976, Venezuela exported 2,156,000 b/d of which 81 percent (1,739,000 b/d) was from multinationals, 337,000 b/d from independents and barely 80,000 b/d from state production. In 1984, the situation was as follows: exports reached 1,517,000 b/d of which only 482,000--that is, 32 percent (compared to 81 percent in 1976)--was handled by the multinationals. On the other hand, 713,000 b/d--that is, 47 percent--was sold by independents. Sales by state enterprises totaled 322,000 or 21 percent. In 1976, Venezuela had 63 foreign clients; today it has 107.

As a result of the diversification, oil sales to multinational companies went from 1,739 MBD [thousands of barrels per day] in 1976 to 482 MBD in 1984. In other words, more than four-fifths of the Venezuelan exports were handled basically by former concessionaires. This volume will decrease even more in 1985 and subsequent years because of the close of the Aruba Refinery by Exxon Corporation and the withdrawal of the Royal Dutch Shell Group from the operations of the Curacao Refinery.

The national oil industry has also diversified oil exports by geographic destination, maintaining a significant presence in its main natural market: North America (the United States and Canada). Chart No. 2 demonstrates the results of this action:

Chart No. 2
Exports of Crude Oil and Refined Products
Geographic Diversification
(Thousands of barrels per day)

Area	1976	Percentage	1984	Percentage
North America	988	46	680	45
Aruba/Curacao	514	24	283	19
Central America/Caribbean	319	15	150	10
South America	80	4	99	7
Europe	229	10	265	17
Japan	7	--	19	1
Others (1)	19	1	21	1
	2,156	100	1,517	100

(1) Includes bunkers

The above chart shows the increase of oil exports to South America, Europe, Japan and other regions and countries in absolute and relative terms. Sales on those markets have risen from 335 MBD (15.5 percent) in 1976 to 409 MBD (17 percent) in 1984.

Exports to Aruba and Curacao have gone down for different reasons including: the policy of diversification itself; the strategic decision to reduce sales of heavy crude oil to refineries with a high yield of by-products whose market has greatly suffered from replacement by alternate sources of energy; and the increase of sales to sophisticated refineries with in-depth conversion for the consumer markets.

The decrease of exports to Central America and the Caribbean is also due to the above factors and the lowest oil consumption in the region, the appearance of entities that operate on the spot market and the application of the San Jose Agreement by which Venezuela and Mexico have equally supplied the imports needed by the countries in the area since 1981.

It should be pointed out that the results of diversification should improve considerably in 1985 through increased exports to the North American market, reduced sales to multinational enterprises (particularly Exxon-Aruba and Shell-Curacao) and the expanded presence of Venezuelan crude oils in refineries with in-depth conversion.

Development of New Markets for Heavy Crude Oils

When the state took the lead in oil exploitation in 1976, the national oil industry faced two challenges whose interdependence led to the formulation of a long-term strategy for marketing Venezuelan heavy and extra heavy crude oils whose proven reserves constitute 65 percent of the total reserves in the country.

In the first place, it was seen that the market for heavy fuels or by-products with the highest volume in total exports--598 MBD in 1976 (28 percent)--had already started to contract. This made it imperative to embark on a set of strategically conceived actions oriented toward reducing the presence of this product on the international market, avoiding a possible surplus that would significantly erode prices and eventually devalue the entire package of Venezuelan exports.

Secondly, the industry began to develop a market for heavy and extra heavy crude oils that responded to the objective of insuring stable long-term alternatives.

With the first phase of national refining standards, the penetration into markets for heavy crude oils and other measures to reduce the sale of by-products to the minimum, Venezuela radically changed the make-up of its oil exports as shown in the following chart:

Chart No. 3
Exports of Crude Oil and Refined Products
Make-up of Exports
(Thousands of barrels per day)

Crudes	1976	Percentage	1984	Percentage
Light	424	20	116	8
Medium	406	19	101	7
Heavy	379	18	723	48
Reconstituted	161	7	67	4
Total	1,370	64	1,007	67
Products				
Low sulfur by-product	165	8	35	2
High sulfur by-product	433	20	192	13
Naphthas/Gasolines	69	3	135	9
Distillates/Diesel	55	2	112	7
LPG	39	2	3	--
Bunkers	21	1	15	1
Asphalt and others	4	--	18	1
Total products	786	36	510	33
Total exports	2,156	100	1,517	100

Exports of heavy crude oil have gone from 379 MBD in 1976 to 723 MBD in 1984. In other words, about 5 out of every 10 barrels that the country sells on the international market are heavy crude oils. Exports of by-product fuels have gone down from 598 MBD in 1976 to 227 MBD in 1984 while those of white products (naphthas, gasolines and distillates) have risen from 124 MBD to 247 MBD during the same period.

7717
CSO: 3348/181

GOVERNMENT ANNOUNCES INCREASE IN OIL ROYALTIES

Caracas EL UNIVERSAL in Spanish 7 Nov 85 p 2-1

[Article by C. R. Chavez: "Oil Royalties Will Increase"]

[Text] As part of the new oil revenue plan based on the rate of exchange of 7.50 bolivars per dollar, the Venezuelan Government resolved to increase the price of oil royalties (17 percent of production) that the National Treasury collects from $14 to $22. This means that the treasury will collect 17,394,000,000 bolivars in oil royalties in 1986 instead of the 11,059,000,000 bolivars based on a global production of 1.7 million b/d [barrels per day] and the old price of $14. This will substantially increase government oil revenue.

Oil and Budget

According to the explanation of the 1986 budget, the oil revenue was estimated based on exports of 1.41 million b/d at an average price of $24.50 per barrel, the same as planned for 1985.

After the OPEC conference last year, the government decided to adjust the price and the amount exported. It has been set at 1,356,000 b/d for 1985.

The Central Budget Office reports a reduction in the price per barrel based on the average received--that is, 80 cents per barrel less than the oil industry expected.

According to the Income Tax Law, the sales price for exports beginning in 1986 cannot exceed government prices for hydrocarbons by more than 20 percent compared to a margin of 25 percent applied until 1985.

Domestic sales of hydrocarbons and liquid natural gas in 1986 are equal to that budgeted in 1985: 325,000 b/d and 182 b/d of equivalent oil, respectively.

In the first 7 months of this year, 322,800 b/d of liquids and 172,000 b/d of equivalent oil in natural gas have been sold on the domestic market.

The plan to replace liquid oil with natural gas is expected to continue in 1986.

It is estimated that the 1986 operating costs of PDVSA [Venezuelan Petroleum, Inc.] will increase in relation to anticipated inflation and due to the impact of the increase in the exchange rate from 6 bolivars to 7.50 bolivars for its imported components. The explanation revealed: "The legal deductions for oil royalties and the legal contribution that the operators must give to the main office together total 23,554,300,000 bolivars. The oil royalty was calculated based on planned production of 1,731,000 b/d of liquid hydrocarbons which means 631.81 million barrels per year and an average fiscal contribution of $3.67 per barrel for a total of 17,394,700,000 bolivars. It should be pointed out that the new average liquidation price of the royalty takes the revision and updating of the market price of oil into consideration. It generally went up from $14 to $22 per barrel--that is, a little more than 50 percent.

The entry of 66,038,800,000 bolivars for planned government oil revenue takes into account the legal system established by the tax on earned income. Some 45.49 billion bolivars will be received in 1986. In addition, 3,098,800,000 will come from the earned income tax in 1985 and 33.3 million bolivars from the tax on enterprises that provide technological services to the industry.

An entry of 69.2 million bolivars is included in the 1986 government budget for the activities of the iron industry through Ferrominera Orinoco.

Current expenses will total 49,487,000,000 bolivars, an increase of 0.8 percent. This is 46 percent of total expenses.

The Ministry of Finance, Ministry of Domestic Relations, Ministry of National Defense, Ministry of Education, Ministry of Health and Ministry of Transport and Communications will absorb 86 percent of the total expenses.

The objective of the National Executive Branch is to encourage a 3-percent growth in the GNP and increase employment.

Capital expenditures of 20,818,000,000 bolivars will absorb 19.4 percent of the total planned expenses.

About 34 percent of the total expenses will be allocated for public debt service. This represents 36,626,000,000 bolivars.

Some 548 million bolivars have been reserved for "budget corrections."

The revenue has been estimated as follows: oil sector, 66,038,000,000; and the iron industry, 69.2 million. The two together contribute 61.5 percent of the budget. Domestic revenue makes up 38.5 percent of the remaining contribution for a total of 41,371,000,000 bolivars. This domestic revenue, however, represents a decrease of 3.4 percent compared to 1985 due to the new rate of exchange for the petrodollar, especially in revenue for exchange operations.

This is the bill that has been presented to Congress. It must be analyzed in depth by the technical committees and political factions in Parliament. Since more than 61 percent of the budget will depend on oil, some changes must be made in the revenue estimates and, of course, in the proportional distribution of expenses in view of the events that are occurring in the international oil market which directly influence the volumes and prices of this resource. Oil revenue might not be as high as has been planned in the mentioned bill.

7717
CSO: 3348/181

BRIEFS

FOREIGN EXCHANGE EARNINGS--Despite the fact that in the first 10 months of the year the total foreign exchange revenue received by the Central Bank of Venezuela went down $1,397,000,000 compared to the same period last year, foreign exchange transactions showed a surplus of $1.11 billion. This is because the reduction in revenue was partially compensated for by a $1,213,000,000 decrease in total expenditures of $11,878,000,000. The reduction in foreign currency expenditures is due basically to lower payments for imports and public and private debt service. This saved $1,141,000,000 in foreign currency. Payments for public and private foreign debt service went down $435 million this year compared to the same period last year. However, it must be noted that payments for public foreign debt service went down $822 million because of a reduction in interest rates. On the other hand, payments for private foreign debt service went up $387 million as a result of greater standardization in registration and recognition of the debts of the private sector. The amount allocated for public and private imports went down $706 million. The Central Bank's foreign reserves at the end of October totaled $13,611,000,000 of which $8,106,000,000 correspond to operational reserves. [Text] [Caracas EL UNIVERSAL in Spanish 7 Nov 85 p 2-1] 7717

CSO:3348/181

- END -

JPRS-LAM-86-002

3 JANUARY 1986

Latin America Report

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JPRS-LAM-86-002

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LATIN AMERICAN PARLIAMENT APPROVES 'MONTEVIDEO DECLARATION'

Montevideo EL PAIS in Spanish 13 Oct 85 p 11

[Text] Declaration of Montevideo

On behalf of the people of Latin America, represented pluralistically through the parties and nations that make up the Latin American Parliament with a democratic mandate;

Viewing with alarm the serious nature of the economic crisis that plagues Latin America, the paralyzation of its development and the accentuation of its longstanding deficiencies and injustices, the burden of which falls mostly on the poorest and neediest sectors;

Heeding the growing and well-founded protests by the peoples of Latin America, their political, labor and cultural organizations, their legislative bodies and their organs of opinion, all of which are crying out against an unjust and anachronistic international economic order whose obvious result is to maintain an unacceptable system of exploitation of insufficiently developed countries by developed countries;

Recalling that the Latin American Parliament was founded to "promote and direct the political, social, economic and cultural integration of the peoples of Latin America," to "promote the integral development of the Latin American community," and "to strive for the elimination of all forms of colonialism or neocolonialism in Latin America;"

Taking into consideration that of all the serious problems which burden the peoples of Latin America, that of the foreign debt demands the most immediate and comprehensive attention, since it constitutes, as our Parliament asserted in a previous assembly, "the heaviest economic yoke Latin America has ever known since the dawn of its independent life;"

Bearing in mind that in successive declarations by the Board of Directors in April and May 1984 (the latter issued in Washington, addressed to the senators and congressmen of the United States and to the international financial organizations and the commercial banks of the creditor nations), the Parliament called for a joint effort to renegotiate the debt so that "a moderate portion of the debtor nations' foreign exchange earnings" could be earmarked for debt servicing;

Considering that the 1st Special Assembly, which was held in San Jose, Costa Rica in June 1984, issued a wide-ranging proclamation on the debt and the need to organize international meetings between our Pariament and the congresses of the United States, Canada, Japan and the European Economic Community, and at the same time called for a meeting of the Latin American heads of state to promote the real integration of our countries, since that is the most realistic and lasting formula for dealing with problems that are fundamental to our development and the preservation and consolidation of our economic, political and cultural independence;

Recalling that the Latin American Parliament has continued a constructive political dialogue, as evidenced by the resolutions adopted in its meeting with the European Parliament in Brasilia, Brazil from 16 to 20 June 1985, which are an expression of effective solidarity and cooperation;

Taking into account that the members of the Latin American Parliament have raised international awareness of the magnitude of the foreign debt problems and the risk they pose to the stability and survival of the democratic governments of the debtor nations and to the international financial and economic system itself, as indicated in the resolutions of the 73rd and 74th Conferences of the Inter-Parliamentary Union, held in Lome, Togo and Ottawa, Canada;

Aware that the recent meeting of the International Monetary Fund in Seoul dashed any hopes that may have been harbored with respect to a change in attitude on the part of the creditor nations, as on the contrary, initiatives were proposed whose belatedness, inadequacy and selfishness totally destroyed the hopes of 300 million Latin Americans and a larger number of inhabitants of the Third World;

Responding to the legitimate urgings of the peoples whom we represent, under a mandate created by a free popular vote to serve as the voices of their protests and their hopes;

Convinced that democratic methods are the best and that the Latin American Parliament is the ideal institution to receive and channel our initiatives in an atmosphere of freedom and responsibility, where formulas dominated by the imperialists and interests other than those of the vast majorities whom we represent do not hold sway;

In possession of the reports and testimonies of the national and multi-party delegations that have attended this Special Assembly of the Latin American Parliament and that want to express their ideas in a coherent, fraternal and combative message; and

Whereas:

1. The international private banks, the policies of the creditor nations, the International Monetary Fund, and the policies of the debtor countries all

share equal responsibility for the gestation and multiplication of the foreign debt; and

2. The Cartagena Consensus represents a significant advance in this direction, which must necessarily be expanded with the participation of all Latin American countries involved; and

3. Latin America is strong enough now, though it has not been in the past 30 years, to modify the unjust trade relations and to progress toward a new international economic order. Given the magnitude of the foreign debt of the countries in this region, the potential of unilateral measures to affect the functioning of the international financial system gives the Latin American nations as a whole--especially the larger countries--a bargaining power they never enjoyed in the past; and

4. The overall framework for the political and collective negotiations that can serve as a basis for individual countries' negotiations should contain the following elements:

a) the acceptance of joint responsibility for the gestation and multiplication of the region's high foreign debt
b)the need for more equitable negotiations to ensure the reactivation and autonomous growth of the region
c)the need to substantially reverse the current transfer of resources from the underdeveloped debtor nations to the developed creditor nations; and

5. It is imperative that the autonomy of Latin American countries' economic policies be maintained as a function of their national interests, without imposing conditions that limit their economic and social development; therefore,

The Latin American Parliament Declares and Resolves:

1. The Latin American foreign debt is unpayable under the terms currently imposed by the creditors.

Repaying the foreign debt would pose a serious risk to social peace and the stability of the democratic system in the region.

2. The foreign debt is a primarily political problem, and the future of Latin America depends to a large extent on how it is resolved.

3. The unity of Latin American countries is a sine qua non for solving the debt problem and fully implementing the measures contained in this Declaration and the program of action for the establishment of a new international economic order.

4. It is vitally important to the countries of Latin America that this problem be solved through a collective, political approach at the highest level between the governments of the debtor countries and the creditor governments and entities. For this purpose, the Board of Directors is hereby

instructed to organize a meeting of the democratic presidents of the region to coordinate the common positions that the Latin American countries may adopt.

5. It is necessary to propose specific actions to provide immediate and effective solutions to the problem of the Latin American debt. We recommend the following:

a) achieve a substantial reduction in interest rates, in keeping with the historical framework of the negotiation of the debt
b) obtain new deadlines for the debt service, in each case based on a real percentage of exports, without prejudice to the debtor countries' ability to meet their basic economic and social development needs
c) coordinate the influx of new financing, obtained on the basis of the principles outlined herein and with a view to promoting development, since the debt can only be repaid by means of development
d) eliminate the protectionist barriers erected by developed countries, and
e) rectify the pricing policy governing the exports of the debtor nations, especially with regard to raw materials.

If the above objectives are not achieved, circumstances will dictate the postponement of payments to service the foreign debt.

The Latin American Parliament Agrees:

1. To provide strong backing for the Latin American Parliament's decision to mobilize the national parliaments that comprise it and all democratic political organizations, labor unions and popular forces, in defense of the interests of our American peoples so that a fundamental change can be achieved in the terms that currently govern the repayment of the foreign debt.

2. To support the clear and vigorous positions adopted by Latin American leaders with respect to the foreign debt and the demands of the IMF. The debt cannot be repaid at the high cost of economic recession, massive unemployment, the destruction of democracy and multiple sacrifices by our people, since it is not possible to end the process of economic and social development.

8926
CSO: 3348/140

VENEZUELANS INTERCEPT COCAINE BOUND FOR TRINIDAD-TOBAGO

Port-of-Spain TRINIDAD GUARDIAN in English 4 Dec 85 p 1

[Text] Venezuelan authorities are cracking down on drug traffickers operating between Venezuela and Trinidad and Tobago.

A report in EL NACIONAL newspaper in Caracas said that the Guardia Nacional recently intercepted a boat at Carupano, Venezuela, and seized about 30 kilos (66 lbs) of cocaine estimated to be valued at more than a quarter million dollars.

Several persons including a Frenchman and a woman, a national of Trinidad and Tobago, have been arrested by the Venezuelans, the report said.

The crackdown is part of an on-going effort by the Venezuelans to stem the drug trade.

The newspaper quoted details of the incident by General Moises Arriojas Gomez, chief of the Regional command of the Guardia Nacional.

According to the report, the vessel carrying the cocaine, the El Pajaro, was apparently bound for Port-of-Spain, Trinidad.

Two men were held on the boat and persons including the woman and other persons believed linked with the operation, a Carupano lawyer among them, were later held.

The Venezuelans believe that carrier pigeons are also being used in the drug trade.

Police Unaware

According to the report in the EL NACIONAL newspaper investigations identified a merchant in Cumana, Venezuela, as being involved in the drug trade.

Yesterday, a senior police officer in Trinidad said that he was unaware of the newspaper report. However, the local police would investigate the report (and check) with the Venezuelan authorities on the situation.

The EL NACIONAL report by Evaristo Marin states in part:

Some 30 kilos of cocaine have been seized by agents of Squad 78 of the FAC, from a boat at a beach near Carupano. It is alleged that the cocaine belongs to a top member of the drug traffickers. It was handed over to the Guardia Nacional under an order of the PTJ.

The cargo of cocaine seized in Puerto Esmeraldo, Carupano, from the vessel, El Pajaro, was apparently bound for Port-of-Spain, Trinidad.

This haul has brought to 38 kilos cocaine seized by the Guardia Nacional in the all-out operation mounted by the Regional Command of the FAC, with headquarters in Puerto La Cruz.

General Moises Arriojas Gomez, chief of the Regional Command, in an interview with the corespondent of EL NACIONAL, said that the investigations had uncovered what appears to be a link between Oriente drug bosses and an unidentified rich merchant, owner of many buildings, businesses and finance houses.

Biggest Haul

With the cargo of cocaine—until now the biggest involving an Oriente connection--were arrested Domingo Ramon Gonzalez, 23, and Jesus Vasquez, fishermen. Gonzalez is a native of Carupano and Vasquez is from Puerto Santo. The boat was equipped with two outboard motors, each of 74 h.p., and it was disguised as a fishing vessel.

The seizure of such a large quantity and the detention of the two smugglers led within a few hours to the arrest by the Command of the Second Company of Squad 78, with headquarters in Carupano, of the ex-contrabander Eugenio Pino (a) Genito, who according to General Arriojas Gomez, was actively sought by the Guardia Nacional and the security forces of the State, for his alleged and apparently strong links with the distribution and export of drugs from Venezuela. Pino appeared, accompanied by a lawyer, and was taken to Carupuno.

He is well-known in the region, according to the spokesmen of the FAC; he owns a fleet of fishing boats, whose principal centre of operations is in Puerto Santo, between Carupano and the Carib River.

General Arriojas Gomez said that the capture of the cargo of cocaine in kilo and 1 1/2 kilo packets, wrapped like thick sausages, was regarded as fitting reward for the vigorous anti-drug thrust by the Guardia Nacional throughout the eastern region.

Despite the seizure, the officials of the FAC were very cautious, since the circumstances suggested that the arrested men were in fact not the real bosses of the goods.

Apparently, they were used as "mules" (couriers), said the Chief of Regional Command 7.

General Arriojas Gomez confirmed that the investigations tend to identify as one of the leading figures in the drug trade an unidentified merchant of Cumana.

When the operation began two and a half months ago, eight kilos were seized in some two dozen raids.

A well-known lawyer of Carupano, Julio Cesar Diaz, also known as "Cheche," and a Frenchman who was living with a Trinidad woman in a well-known Carupano hotel, were among those arrested.

A high official of the Guardia Nacional said that Adalberto Malave, brother of the merchant allegedly implicated in the drug deals, was arrested in Carupano and was being questioned.

"We have maintained against drugs a fight without quarter and I believe we are going to smash many gangs of drug traffickers, and there are many of them, as far as we have been able to learn, I guess."

He said that about eight carrier pigeons had been intercepted carrying messages between drug bosses.

The operation, he said, had been extended to the entire region, but essentially, it is concentrated for now in Carupano, Margarita, and Anaco.

He praised the cooperation being extended by the Guardia Nacional to all the police forces and the security forces of the State.

The cocaine and the arrested persons were dispatched to Puerto Esmeraldo within hours of detention on orders from the [word illegible], in the city of Carupano.

/8309
CSO: 3298/186

ANTIGUA'S BIRD: EAST-WEST RIVALRY DETERS SECURITY PACT

Kingston THE DAILY GLEANER in English 14 Nov 85 p 7

[Text] ST. JOHN'S, Nov. 13 (CANA)

Super power rivalry in the English-speaking Caribbean is preventing the establishment of a region-wide security system, says Antigua and Barbuda's Foreign Minister Lester Bird.

In a presentation to a closed door session of the recent Commonwealth Summit and just released by the government, Bird said he would like to see an expansion of a three-year-old security treaty signed by eight eastern Caribbean nations.

He said he wanted Jamaica, Trinidad and Tobago, the Bahamas, Guyana and Belize — the other independent members of the Caribbean Community (CARICOM) — to join.

"But, if we are to be honest with ourselves, it is a measure of the suspicion aroused by the East/West rivalry, that countries which share a common history and culture and which also share certain economic arrangements, have not been able to join together in a common regional security system," Bird told the assembled heads of Government.

Bird, who is his country's Deputy Prime Minister, said the super power rivalry in the Caribbean may at times diminish, but it never disappears.

He said Antigua and Barmuda was convinced that "the superpowers have a vested interest in maintaining conditions of insecurity in order to preserve their influence over our countries."

Bird noted the help of the United States, Britain and Canada in training soldiers and policemen in the area but said Caribbean Nations would prefer to maintain a genuinely independent position in relation to the super powers.

American and Antiguan troops are holding joint exercises here this week.

The Government also announced at the weekend that the U.S. naval base here would become a centre for training Caribbean forces.

/8309
CSO: 3298/173

GRENADA'S BLAIZE, IN JAMAICA, CITES THREAT OF COMMUNISM

Bridgetown CANA in English 1606 GMT 25 Nov 85

[Text] Kingston, Nov 25--Grenada Prime Minister Herbert Blaize has said here that the countries of the Caribbean were under threat from communism.

Blaize, who with Dominica's Eugenia Charles attended the annual conference of Prime Minister Edward Seaga's Jamaica Labour Party (JLP), which closed last night, also sharply rejected the notion of a militarization of the Caribbean.

American troops aided by soldiers from some Caribbean countries, including Jamaica, invaded Grenada in October 1983 to topple the military that had assumed power after the murder of Prime Minister Maurice Bishop and a number of colleagues, following a split in the ruling leftwing New Jewel Movement.

Describing the use of the term "invasion" as absolute nonsense, Blaize told journalists yesterday: There is no question of Dominica and Jamaice being wooed to invade Grenada, and there is no question about the fact that the countries of this Caribbean area must recognise that they are under threat.

Blaize later told the JLP conference that he was surprised to hear a Jamaican journalist refer to the operation in Grenada as an "invasion." He called it a "rescue mission."

Both Blaize and Charles are taking their parties in a soon to be launched Caribbean Democratic Union, which according to Jamaican leader Edward Seaga was dedicated to resisting the temptation of the socialist movement and to preserve democracy in this region.

The regional group is to be an affiliate of an international association of conservative parties.

Charles said the Caribbean grouping was important to beat back the brainwashing of Caribbean peoples by communist elements in the region.

I think it is important that we can work together for this to bring our ideas forward, and to be able to work together as democratic countries for the benefit of the people of all the Caribbean, the Dominica prime minister said.

/8309
CSO: 3298/173

WARNING AGAINST SATELLITE TELECOMMUNICATIONS IN CARIBBEAN

Kingston THE DAILY GLEANER in English 15 Nov 85 p 28

[Text]

President of the Press Association of Jamaica (PAJ), Mr. Gladstone Wilson, has warned that the nation should "watch and actively resist" the unencumbered penetration of satellite communication into the Caribbean.

Speaking at an awards dinner of the Caribbean Association of Medical Technologists (CAMT) at Liguanea Club recently, the PAJ president said that the use of satellite communication and "externally-generated economic models" was creating serious displacement and change which was not in the best interest of the Caribbean.

"We have to watch and actively resist this sort of penetration, which in the final analysis is destined to undermine and ultimately displace our national cultural identities".

Mr. Wilson recommended that a prudent mixture of programmes from the United States be made so that the peoples of the Caribbean could be exposed to the "varied and rich cultural texture of the United States".

The present use of satellite transmission to penetrate Caribbean cultural sensibilities have drawn deep concern from a number of groups and individuals throughout the Caribbean region, he noted. This had motivated national media associations to work towards the formation of a Caribbean Association of media workers so that there could be "greater inter-linkages" for the promotion of professional interests and preservation of the region's cultural sovereignty.

But people in the communication business have to alert all the nations which comprise the Caribbean of some of the dangers connected with the unencumbered penetration of satellite communication from several geo-stationary satellites hovering over the Caribbean.

"I could easily give you all the instances where the increasing reliance and total dependence on foreign programmes via satellite transmission is quickly engulfing the Caribbean into a global communication network in which it is the willing recipient of external cultural values," said Mr. Wilson.

The PAJ president commended the medical technologists for their boldness in hosting a public forum on AIDS, and he said that this was proof that they recognised the importance of providing information to the public.

Several awards were made to medical technologists who had helped the association over the years.

In his address, the president of CAMT, Mr. Victor Farrell, who has been a medical technologist for 21 years, said the association still had a lot of work to be done.

He hoped for a greater level of participation in the upcoming years from members. In 1986 CAPR would be offering a fellowship examination and would also be making recommendations to Government to improve the salaries and working conditions of medical technologists, he said.

Mr. Farrell also said that they hoped to establish a degree course in medical technology at the University of the West Indies.

Two special awards were presented: one to Cleveland Dolphy, who received the Bi-medical award for excellence, and another to Miss Quinnette Manning who received the Annette Spence award.

/8309
CSO: 3298/173

BRIEFS

TRADE WARNING--Antigua and Barbuda's Prime Minister Vere Bird says countries that do not allow Antiguan goods to enter their markets will not be able to sell in Antigua. Since Trinidad and Tobago has not implemented the Nassau Understanding, which seeks to open up trade among Caribbean countries, several Antiguan products are locked out of the region's biggest market. Mr Bird says he hopes the trade problem can be rectified soon. [Text] [Bonaire Trans World Radio in English 1130 GMT 12 Dec 85 FL] /9738

CSO: 3298/211

BARBADOS

BRIEFS

TULL ATTACK ON CBI--Bridgetown, Nov 14--(CANA)--Barbados has expressed disappointment with the results of the Reagan administration's Caribbean Basin Initiative (CBI). The CBI, which began in January 1984, allows duty-free entry into the United States for a host of products, but excludes key exports like garments. Asked by the NATION newspaper for an assessment of the impact of the CBI, Commerce Minister Louis Tull said: "I am disappointed." Tull said a major problem with the CBI could be traced to the American system of government. He said the conflicting interests of the Reagan administration, Congress, lobbyists, and pressure groups prevented the United States from approaching the Caribbean with a single voice and "causing us some problems." Tull called recently for an expansion of the list of duty-free items under the CBI to cover sugar, textiles and leather goods. Such a move, he said, would help to reduce the imbalance in trade between the United States and Barbados. Tull said Caribbean nations and those interested in the area must push hard to "educate" American labour, Congress and business interests about the state of Caribbean economies. [Excerpt] [Kingston THE DAILY GLEANER in English 15 Nov 85 p 1] /8309

CSO: 3298/174

SARNEY VIEWS ELECTION RESULTS, AD'S PERFORMANCE; COMMENT

Sarney's Views

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 19 Nov 85 p 4

[Interview with President Jose Sarney on 18 November in Brasilia: "Sarney: The Time for Disagreement Is Past"; name of interviewer not given]

[Text] The grade for the Democratic Alliance's performance in the elections: only "fair." The evaluation was made by the president of the republic, Jose Sarney, in a brief interview in Brasilia yesterday. Although making it clear that the election results were below the government's expectations, the president said he will not discriminate against anyone "whatever the result," as it is not fitting for him to "contest a sovereign decision of the people." Sarney stressed the need to forget "electoral excesses" and cultivate "peaceful coexistence": "Without democratic coexistence the seeds of violence are planted, and violence is no help to democracy." He said he had learned two lessons on 15 November: the certainty that the policy "favoring the poor" taken by the government is correct, and the assurance that the voters were not registering a protest against the federal government. To him, these were the freest elections the country has ever had. And any idea of reducing his term as president was rejected. The interview with the president was after a meeting of the Political Council, the first after the elections and which analyzed its results, especially the consequences for the political support the federal government retains with the administration divided between the PMDB [Brazilian Democratic Movement Party] and the PFL [Liberal Front Party]. In speaking to the members of the council, the president was objective: "It is necessary to strengthen the Democratic Alliance, at whatever cost. The time for disputes is past." According to the PFL leader in the Senate, Carlos Chiarelli (RS [Rio Grande do Sul]), Sarney reaffirmed that there will be no discrimination in the distribution of positions ("which will be filled in the name of the Democratic Alliance"), but warned: he will not condone cabinet ministers or congressmen "making hay politically by opposing the government." According to Chiarelli, Sarney still believes in and insists upon the need to increase the number of coalitions between the PMDB and the PFL for the 1986 elections. He even feels the need of unity is "indispensable." Ulysses Guimaraes, president of the Chamber of Deputies and chairman of the PMDB, calmly believes that the Alliance was not harmed by partisan differences. The entire interview with President Sarney is as follows:

'Candidate for Whom I Voted Lost Election'

[Answer] Of course, you are all curious and eager for a word from the president about the elections on 15 November. I wish to say that, for the president of the republic, the overall significance of the election is much more important, really, than the result of the election. And the overall sugnificance is that Brazil had its freest election ever. The people, freely, had the opportunity to choose their candidates, to question and debate in a festival of democracy, perhaps the greatest we have ever had in this country. I can even assert, from what I have heard, that it was the freest election that Brazil has ever had.

Moreover, it was an opportunity for affirmation of new leaders, for consolidation of others and, at the same time, an opportunity for Brazilians to contemplate together all of their problems. The Democratic Alliance had a fair performance. The position of the president of the republic, as you all know, was not to participate in the campaign. And he did not participate. And he feels that it was a position that aided the nation, aided the election and at the same time gave the race an aspect of total personal impartiality by the president. Although the president, as a politician, has rooted for his candidates.

Every election leaves a lesson. And this lesson, of course, is an apprenticeship. We have to contemplate the results of the elections, analyze them, think about them and, at the same time absorb the lessons. And, as all elections, this one, of course, will have consequences.

I want to say, as president of the republic, that the government wil not discriminate against any state, whatever may have been the result of the elections. No government can contest the sovereign decision of the people. It must respect that decision. And the desire of the federal government is precisely to cooperate with those who have been elected in a joint task, which is what the Brazilian people expect: the good performance of its officials.

Another lesson that I also drew from this election is the certainty about the government's policy giving preference to the poor, and about the emphasis on social programs.

The election also informed us that the government was not questioned, but even so it is not exempt from analyzing the election results.

I want to congratulate all those who were elected. And I also want to congratulate all those who took part in the election, all who ran for election. Because, to a real extent, the winners and those who did not succeed all contributed toward strengthening democracy in our nation.

I want to reiterate one final appeal, which I just now made, that at this moment, with the election battle in the past, we all must forget the excesses. Because, as I have just said, all of us politicians can be adversaries, but we are not condemned to be enemies. And democracy is alive. It thrives upon coexistence, because without democratic coexistence the seeds of violence grow. And violence is of no assistance to democracy. We must learn to coexist. Learn how to win and learn how to lose. This is what I wanted to say this afternoon.

[Question] Mr President, the mayor-elect of Rio de Janeiro, Saturnino Braga, said that the result of this election, the performance of the Democratic Alliance in it, shows that the government must rethink the duration of its mandate. How do you view this assumption?

[Answer] I think that one analysis that can be made of this election is that at no time did the election campaign make an issue of the duration of the president's mandate. I think this is true on a nationwide basis. This topic was not a primary campaign issue. It was not a campaign issue. It might have been mentioned by a candidate here or there from time to time.

[Question] But a newspaper is saying today that there is a survey that Planalto Palace itself has the results of, saying that 41.7 percent of the population wants your mandate reduced to 2 years. Is there actually such a survey here in the presidential palace?

[Answer] The president is not aware of such a survey having been made here within Planalto Palace. That is proof that it does not exist.

[Question] Mr President, to what extent will the defeat of the PMDB in Sao Paulo and Rio de Janeiro affect your government? Will it make things easier or will it create difficulties?

[Answer] No, as I said, I don't see any way in which the defeat of the PMDB in Rio de Janeiro and Sao Paulo can affect the government. I just got through saying that the government will not discriminate in any way or with any candidate.

[Question] Mr President, this past weekend you met with Finance Minister Dilson Funaro. We would like to know: the government will soon send the National Congress a list of economic measures for approval by congress. We should like to know what are the main points, in your opinion, in this list of measures. And, if it becomes necessary, do you intend to use a decree-law to approve this list of measures?

[Answer] I can't anticipate these measures. They are still being studied. They are not yet defined. So this prevents me from saying anything in advance.

But I think you've left out a question that must be on everyone's mind. That is the result of the election in Maranhao. I want to say that at no time did the president take part in the campaign. Nor on any occasion did I mention the name of the candidate for whom I would vote.

I voted in Maranhao, because Brazil could not bear to see the president of the republic sitting in a post office justifying his not having voted on 15 November. When I went to Maranhao, congressmen of all parties went along with me. But we have a saying in our part of the country that goes: "The truth is like Christ's robe. It is seamless."

And I want to say now that the candidate for whom I voted lost the election. And this is the best demonstration and the best proof that Brazil has real democracy. Thank you very much.

Strengthening AD Given Priority

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 19 Nov 85 p 4

[Excerpts] Brasilia--"It is necessary to strengthen the Democratic Alliance at any cost. The time for controversy is past." That recommendation was made yesterday by President Sarney to leaders of the Alliance in congress, at the meeting of the Political Council of the government, as revealed yesterday by Senator Carlos Chiarelli, PFL leader in the Senate.

It was further decided that the government will not discriminate in making appointments--"each position will be filled by the PMDB or the PFL, in the name of the Alliance"--but cabinet ministers and congressmen will not be permitted to "make hay politically by opposing the government," Chiarelli added.

President Sarney, after hearing the leaders' evaluations of the election results, also recommended seeking a greater number of coalitions between the PMDB and the PFL in next year's voting. According to Chiarelli, the president considers electoral unity between PMDB and the PFL "indispensable."

The senator reported further that Sarney asked the Alliance leaders to work to overcome the local differences that arose due to the recent elections, and to restore partnerships in federal, state and municipal governments and congressional districts.

Planalto Considers Results Positive

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 19 Nov 85 p 4

[Excerpts] Brasilia--President Jose Sarney and his Political Council concluded yesterday that the results of the municipal elections were positive for the government. They agreed as to the need for the PMDB and the PFL to make adjustments in order to retake the lost municipal governments; they acknowledged their weaknesses in some points and established standards of action to reunite the Democratic Alliance, to avoid jeopardizing the political plans made by Tancredo Neves.

Sarney and leaders Humberto Lucena and Pimenta da Veiga of the PMDB, Carlos Chiarelli and Jose Lourenço of the PFL, and ministers Fernando Lyra, of Justice, and Jose Hugo Castello Branco, of the Civilian Household, also agreed that the defeats in Sao Paulo, Rio de Janeiro, Porto Alegre, Fortaleza and Sao Luiz--where candidates of the PTB [Brazilian Labor Party], PDT [Democratic Workers Party], PT [Workers Party] and PDS [Social Democratic Party] were elected--were "circumstantial," and as such would have no effect upon the ongoing political process. Partly due to President Sarney's decision to remain above parties and election races and, further, due to the "maturity" demonstrated by the parties that enlarged their power.

Sao Paulo Outcome Analyzed

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 19 Nov 85 p 3

[Editorial: "Economics and Politics"]

[Text] In viewing the results of the elections in terms of the various districts of the city of Sao Paulo, the ministers of planning and of finance--both from Sao Paulo and members of the PMDB--certainly must consider the public very ungrateful, as the truth is that in Sao Paulo Mr Janio Quadros was not elected only by the businessmen of the Right. As a matter of fact, the results obtained in the economic field, at least as painted by President Sarney, should have led the Sao Paulo voters to a different attitude. The ingratitude attributed to the public deserves to be analyzed more carefully, because neither to its Right nor to its Left did the PMDB gather the fruits that it certainly was expecting from the economic miracle of these recent months.

Without doubt, during the most recent months there has been an impressive economic recovery, reduction of unemployment, increase in purchasing power and even a decline in the rate of inflation. But these facts did not benefit the PMDB candidate in the very state that the two ministers in the economic area are from. The first question that could be asked is this: could it be that, in resuming development (even before the government's new team came into action), economic concerns have been relegated to the background? It is possible that today the population of a city such as Sao Paulo is more concerned about the lack of law and order and the constant rise in prices than it is about unemployment, especially because the number of jobs has increased. The people have a short memory...

In view of the electoral reaction, it can also be asked whether the voters, in their majority, really don't believe the economic results announced by the government, or their durability. It is extremely difficult to convince housewives that inflation has declined when they see the prices of some products (such as coffee, for example) rise sharply. Statistical weighting is not a concept that housewives assimilate very readily. On the other hand, perhaps this increased demand that has been observed lately at the retail level has not yet been fully understood. Some may attribute it to increased purchasing power resulting from the generous wage increases. But the fact is that one sees indications of a cycle that should be of serious concern to the authorities. Spending today has increased in even greater proportion than has the increase in wages: after years of sacrifice, consumers, not having much faith in price stabilization or its future control, are overbuying, even drawing on their savings.

This reaction leads us to think that the 15 November voters do not expect the good times to last very long. Perhaps the best economists are to be found among the general public. They know that wage increases do not for very long solve the nation's problems. They also realize that price control does not remain effective for very long. They do not consider the enigmatic IMF and its mentor, Mr Jacques de Larosiere, to be responsible for all our trials and tribulations. As installment buyers, they know that debts must be paid and to what degree interest rates are excessive, and that the goods they have acquired can be taken away from them. Really, only austerity would permit them to escape from the pressures of creditors.

Well, it is precisely this austerity that the winning candidate plastered all over his own image; it is precisely this that the people of Sao Paulo failed to find in the optimistic preachings of the mentors of the new economic policy. The government knows how to control prices, but not its own state enterprises; it tries to freeze prices, but raises the fees for public services far above the rate of inflation. Putting the blame on others (the IMF, foreign bankers, multinational companies, speculators) is an attitude that does not seem to have convinced the voters. They would like to see the government effectively cut its own expenditures; they would like to see cabinet ministers willing to end the perquisites of the employees dependent upon them.

It is not the praising of achievements that persuades the voters but, mainly, the the message of austerity that is believed in. And not only in Sao Paulo, but in entire countries, and much more developed than our own megalopolis.

The government should reflect upon this lesson before creating new taxes to be paid--as always--by the final consumer.

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CSO: 3342/33

SARNEY TO CONTROL PRIVATIZATION, PRICE SPECULATION PROGRAMS

Broad Presidential Controls

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 21 Nov 85 p 31

[Text] Brasilia--President Jose Sarney will personally direct execution of the program to denationalize state enterprises, reserving for himself authority to establish the limits of the public sector's position in the economy (areas considered as involving national security or where a monopoly exists), leaving the private sector to take over sectors for which it is suited or where it has already demonstrated sufficient maturity to prevent its absorption by foreign capital.

This information was given yesterday by a Planalto Palace source, adding that after establishment of criteria and names of the firms to be denationalized those concerned are to reach an understanding with the ministry to which they are subordinated, leaving the Denationalization Commission of the Planning Secretariat [SEPLAN] with only responsibility for monitoring the process.

The government source further added that, besides specifying which firms are to be denationalized, which should occur sometime this month, Jose Sarney will decide which state enterprises are to be authorized to sell stock to the public, and how much.

Audit

The Production Financing Company (CFP) will be the next state enterprise to be audited, coordinated by the SEST (Special Secretariat for Control of State Enterprises) and conducted by an independent auditing firm. At present, COBAL (Brazilian Foods Company) and EBN (BRAZILIAN NEWS AGENCY) are being audited.

SEPLAN reports that it was the president of CFP himself who requested the audit, as was the case with EBN. As a matter of fact, the government, as a part of the economic package, will initiate a thoroughgoing auditing program, with funding from the World Bank, to make the state enterprises productive and efficient, which are now sluggish and inefficient.

Social Security

As part of the economic package, the contribution of employers to Social Security will be altered. At present, the firm's rate of contribution is based upon the payroll. The possibility is now being studied of basing the contribution rate on the added value of the merchandise, that is, the value that each firm adds to the process of production. This means, for example, that the new base will not include the cost of raw materials, but only what it produces.

The government studied the possibility of setting the tax rate according to total sales, but came to the conclusion that the comapny that has the highest sales does not necessarily have the highest profits, for a number of reasons.

CPI

The Congressional Investigating Committee (CPI) looking into the management of state enterprises will not hear testimony about the Rio Doce Valley Company (CVRD) until 29 November. In March, when the 1986 legislative session resumes, the CPI will begin investigating SIDERBRAS [Brazilian Iron and Steel, Inc.], the state enterprise that is the holding company for the steel industry. (The first state enterprise investigated was Petrobras). This was decided at a meeting early yesterday of the Economic Committee of the Federal Senate.

All-out War Against Speculation

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 12 Nov 85 p 38

[Text] Brasilia--The government of President Jose Sarney will use all legal means at its disposal, created by the then president of the Council of Ministers, Tancredo Neves, in 1962, to intervene in the market and prevent speculation in basic commodities or charging of abusive interest rates by stores that sell on the installment plan or through financial conglomerates.

This was announced yesterday by Finance Minister Dilson Funaro, while Justice Minister Fernando Lyra announced that he will reactivate the Administrative Council for Economic Defense (CADE), even with the help of the Federal Police if necessary, to stop abusive pricing practices by merchants.

After a meeting with President Sarney yesterday afternoon, attended by the ministers of finance, planning and paperwork reduction (the ministers of agriculture and of industry and commerce were out of town), Funaro said that he was authorized to make use of all prevailing legislation to restrain speculative prices, adding that this includes use of so-called Law No. 4 of 1962, which permits the government to seize the goods of private firms that are being used speculatively, at no obligation to the Treasury.

Funaro made it clear, however, that he is aware that in many cases price increases do not occur for purely speculative reasons, but due to crop failures, as in the recent case of coffee, the price of which rose 120 percent in the month of November alone, due to drought in the South of Brazil. "We are going to punish speculation, and goods that are in short supply we will import. For example, we have imported 15,000 tons of meat and we are dickering for another 30,000 tons that are to arrive before the end of the year.

"In the case of corn," the finance minister continued, "we have found that we are getting bids from only six companies, always the same ones, which concentrates stocks in their hands, and this we will not permit. We are not going to be condescending to anyone. The price has already fallen, because the government decided to control future prices. This is what is called administering prices, and this is what we are doing."

Funaro expects that inflation for this month will be about 12 percent, due to problems of supply and not to speculation. He also finds that the gentlemen's agreements signed between the government and the supermarkets are working satisfactorily. In the first 3 months of the agreements, the 41 products included in the basic market basket increased only 1 percent, and for this reason the agreement was renewed, according to the finance minister.

"The government's position," asserted the finance minister, "is to maintain real wage increases above the pace of unrestrained prices, even with the accelerated growth of the economy. We want growth, but we want to lower inflation. For this reason, we cannot permit some stores to take leave of their senses and charge abusive prices or extortionary rates of interest to their customers." Funaro asserted: "The Special Secretariat for Supply and Prices (SEAP) and the Interministerial Price Council (CIP) will closely monitor the increase of agricultural and industrial prices. Prices that rise unjustifiably will be brought under government control. The wages of workers cannot continue to be confiscated by speculators, and the government has the means to prevent this." Today or tomorrow the ministers will have another meeting with President Sarney to study new measures to combat inflation.

Power Restored to CADE

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 12 Nov 85 p 38

[Text] Brasilia--To restrict inflation, the Sarney government will resort to an agency conceived originally in the office of then Prime Minister Tancredo Neves in 1962, when the basic reforms of President Joao Goulart were being prepared. The Administrative Council for Economic Defense (CADE) was a result of antitrust laws of the Getulio Vargas era, intended to prevent economic monopolies.

In 1964, in a ceremony attended by several jurists, it was installed in Rio de Janeiro on 16 March, a few days before the Revolution, which relegated it to the background. It has survived precariously until the present time, without effective influence in any sector and completely forgotten by the consuming public for whom it had been intended. Last year, CADE was transferred from Rio to the sixth floor of the annex building of the Justice Ministry in Brasilia, where its structure was greatly modified, but not its content, it was asserted by its chairman, Jose Paulo Cavalcanti Filho.

As a matter of fact, CADE has unparalleled police power in the economic sector. Examples of this are given by the chairman himself: CADE may require any type of business information, at the peril of arrest; it may call upon the services of employees of other government agencies, including civilian and military troops; and it can decree taking over and expropriation of companies guilty of economic abuse. In trials, the charges pass through several stages, and monetary sanctions are also stipulated. The highest of these, established last year, is 1.5 billion cruzeiros. Before that, it was almost impossible to levy fines, as the amounts set by law corresponded to the values of the old cruzeiro.

In order to make its presence felt to a greater extent, Cavalcanti Filho says the council is consulting a commission of economists and housewives, and will establish two new inspection stations--in Recife and in Belem--thus reaching all regions of the nation (there are now inspection stations in Sao Paulo, Rio and Porto Alegre).

Sarney's Involvement Termed 'Message'

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 12 Nov 85 p 38

[Text] Brasilia--The personal involvement of President Jose Sarney in the fight against inflation at the federal level is meant to convey a message to state governors that from now on they take into consideration not only the actions needed to solve state problems but also the possible impact on the public deficit. According to a qualified adviser, Sarney is convinced that the "vigilant attitude" he has been trying to impose during the first 8 months of his government has not been duly reflected in state governments. The greatest proof is the 35,000 new state employees hired since June, when the order was not to increase payrolls.

"This requirement of more austerity on the part of governors could not be postponed, at the risk of the president's authority being impaired, waging a lonely battle against inflation," the same source explained. The lack of concern about expenditures on the part of the governors has come to the president's attention during his many travels, at which time he was amazed at the expensive and sumptuous grandeur with which he was received. One typical example cited by another Planalto source was the recent trip to Belem, where he inaugurated the ALBRAS [Brazilian Aluminum, Inc.] plant. There the president was received at a party that cost $1 million, and which left him "uncomfortable and embarrassed" and certain that his message of austerity in public affairs had not been well assimilated, the source reported.

Law No. 4

Even before Finance Minister Dilson Funaro announced the list of measures taken during the meeting of the economic ministers with President Sarney, his most senior advisers and experts were already working intensively on shaping the "package against inflation and speculation." Funaro's determination to restrain the wave of speculation was demonstrated by his special adviser, Joao Manoel Cardoso de Mello shortly before the meeting at Planalto Palace was to begin. He made it clear that the government would apply the so-called Law No. 4 to the sectors that are building speculative stocks of coffee and other products.

Law No. 4 is the same one that in 1962 created SUNAB (National Superintendency of Supplies) and the CIP (Interministerial Price Council). Technicians at the Finance Ministry also refer to it as the "AI-5 [Institutional Act No 5] of supply," as it provides a great number of harsh measures and penalties against speculators, including confiscation of stocks for immediate sale to the consuming public. This same law also provides for cutting off official credit to speculating firms (although the government can do this without resort to the legal instrument created in 1962).

No Results Until 1986

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 12 Nov 85 p 38

[Text] The decision announced by President Jose Sarney to personally take over control of supply policy, as well as a series of meetings planned with the ministers of the economic area, will not be able to reverse the current trend of high inflation rates during the last 2 months of this year, and will not be able to show positive results until the beginning of 1986.

That prediction was made yesterday by economist Seiti Kaneko Endo, coordinator of the Cost of Living Index [ICV] of the Sao Paulo University [USP] Institute of Economic Research Foundation (FIPE), according to whom "there is not sufficient time for application of the measures regarding supply to enable them to prevent higher rates of inflation." In addition to the increases that have occurred in agricultural prices in recent days, Endo believes that the index for November "has been compromised" since the middle of last month by a number of increases that were not absorbed by the October rate, generating a considerable "carry-over" for this month.

This situation, according to the economist, occurred in the case of several products whose prices are administered by the government, pointing particularly to the situation of cigarettes, which, although having been adjusted by 30 percent on 20 September, were not completely absorbed last month, resulting in a carry-over of at least 10 percent for this month. The same thing should happen in the case of sugar, whose 44 percent increase on 1 October was not completely computed.

The FIPE economist also mentioned milk (an increase of 25 percent on 20 October) and petroleum derivatives (an average of 10 percent on 17 October), as well as coffee (an average increase of 60 percent in this month alone) and meat, as products exerting pressure on this month's index. He viewed as "realistic" the position of Finance Minister Dilson Funaro in acknowledging that the rate of inflation will be 12 percent in November. Another argument used by Endo to justify the prediction of double-digit rates for these last 2 months of the year was the fact that the Wholesale Price Index (IPA)--which represents 60 percent of the IGP (General Price Index)--had absorbed only a 5.6 percent increase in agricultural prices in October, which should also result in carry-overs for this month.

'Artificiality'

In the opinion of the FIPE's ICV coordinator, in addition to the "specific causes" of inflation, this index is further pressured by a computational structure used by the Getulio Vargas Foundation [FGV] "that gives rise to a serious measuring error and an artificiality in the final index." Endo explained that this situation is "much more visible in the composition of the IPA, which does not reflect the nation's actual production structure, giving agricultural prices a weight of over 30 percent, whereas this segment represents only 11 percent of Gross Domestic Product [GDP]." These distortions lead to an odd situation in which just one product, such as black beans, has a weight within the IPA greater than that of the entire automobile industry. Thus, any increase in prices of agricultural products has the effect of compromising the entire index.

The Cost of Living Index computed by FIPE, in Sao Paulo, reached 12.09 percent last month--the highest increase of this year--raising the cumulative rate for the last 12 months to 207.5 percent. Food again provided the largest share of the ICV increase, rising 10.6 percent in the month and 212 percent in the 12-month period. Of the 235 items surveyed in October, 204 rose, 11 were unchanged and 20 declined.

Imports to Restrict Inflation

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 12 Nov 85 p 38

[Text] Rio de Janeiro--The government will import substantial quantities of rice, corn and other foods by the end of this year to restrain price speculation and force inventory liquidation, but this will not affect the goal of a $12 billion trade surplus for the nation, Roberto Fendt Jr., director of CACEX [Foreign Trade Department], said in Rio yesterday.

The exports [as published; imports?] have already been authorized, but Fendt did not wish to reveal how much they will represent in expenditures for the nation, although explaining that they will not show up in our foreign-trade accounts until the early months of 1986.

The CACEX director reaffirmed that Brazil will obtain in 1986 the same $12 billion surplus expected for this year, although this result is likely to correspond to a larger volume of both exports and imports, in view of the need to provide for expansion of the nation's economy and also taking into consideration the more favorable conditions in foreign markets. Imports will be made without artificial controls, in keeping with the current system, and are likely to be mainly raw materials and intermediate goods, to meet the greater demands of Brazilian industry.

8834
CSO: 3342/34

EDITORIAL ON FOREIGN DEBT, IMF, BAKER PLAN

PY070007 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 4 Dec 85 p 3

/Editorial: "The 'Baker' Plan, the IMF, and Brazil"/

/Text/ On returning from his trip to the United States where he held meetings with U.S. Secretary of the Treasury James Baker, III and IMF Managing Director Jacques de Larosiere, Finance Minister Dilson Funaro stated to everyone's surprise that he is convinced that the creditor banks no longer required IMF intervention when renegotiating the Brazilian foreign debt. The interpretation given by the minister to the talks held with the U.S. secretary of the treasury and the IMF managing director was clearly denied both by the U.S. secretary of the treasury and in a note jointly signed by the World Bank president and by the IMF managing director.

In fact, the U.S. Treasury Department last week released a communique, explaining that the IMF is expected to continue "playing a key role in the efforts to deal with the international debt problems." After the confusion raised by the statements by Minister Dilso Funaro, it was important for the U.S. treasury secretary to clarify his position, especially on the eve of the IMF "board" meeting which has just given valuable support to the so-called "Baker Plan."

As is known, during the IMF meeting in Seoul the U.S. treasury secretary raised a new farreaching concept, more because of the suggestion presented than the monetary values contained in the proposal. He warned the creditor banks of the 15 countries heading the list of the most indebted countries on the need for them to again offer new credits totaling $20 billion in 3 years, a sum that would be supplemented by contributions from the international or regional agencies. After holding contacts with the directors of the big international banks, the U.S. treasury secretary started noting some recalcitrance by the banks, especially in Europe and in Japan; their directors would like to have a distinct stand from their governments in the sense of making it clear whether they can count on the support of the central banks in case of default.

Therefore, the support given by the IMF "board," which is made up of the representatives of the governments of the creditor countries, was very important for the U.S. treasury secretary since it is an indirect official opinion on his plan. The communique signed by IMF Managing Director Jacques de Larosiere and by World Bank President A. W. Clausen after the meetings held by the IMF and the World Bank "boards" also carries substantial weight with the creditor banks.

It is necessary to carefully read the note released by the people responsible for the two international agencies. In it, the people responsible for the two international agencies refer to "the adoption of comprehensive macroeconomic and structural policies by the debtor countries (...) aimed at promoting growth and adjustment in the balance of payments and curbing inflation." They also refer to "maintaining a key role for the IMF along with strengthening that of the World Bank."

Vis-a-vis the adoption of that clear stand, it is hard to see how Brazil expects to gain access to the funds of the international banks within the framework of the "Baker Plan" without previous approval by the IMF, which continues to play a key role when renegotiating the foreign debt. It is possible to get an extension of the current agreement, paying a "spread" /in English/ almost double that required under the terms of a new general agreement under IMF supervision. In the current situation, Brazil is running the risk of being refused an extension if some small regional bank refuses to sign the agreement. In any case, it would seem difficult to obtain the "new money" /in English/ that the National Development Program I /Roman one/ of the New Republic deems indispensable for 1986 without going through the IMF.

Minister Dilson Funaro has just been confronted by the U.S. secretary of the treasury and by the IMF managing director. His Excellency did not have to wait for such expressions; strictly speaking, it was already known that he had been notified that the reform program (the new economic package) was insufficient in the eyes of the IMF to reach agreement with the banks...at any rate, it is a fact that the IMF, which is being portrayed as a "monster," also endorses the "Baker Plan," a plan that is so pleasing to the Brazilian authorities. The difference is that the IMF managed to understand what the U.S. treasury secretary meant to say in Seoul and the Brazilians seem not to--or at least they give the impression that they read Baker's proposals in a different way.

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ROSEMBERG'S RISE TO POWER, ECONOMIC PHILOSOPHY DISCUSSED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 10 Nov 85 p 30

[Text] An economist not very well known by the general public just 6 months ago, Luis Paulo Rosemberg was suddenly raised to the position of President Jose Sarney's chief economic adviser. How did he come to get so much power and how will he use it? These questions are asked by American journalist Richard House in the latest issue of INSTITUTIONAL INVESTOR, which is also seeking an answer to explain this rapid rise.

It all began one weekend at Granja do Torto, in Brasilia, during a meeting of President Sarney with economists of various viewpoints, when Rosemberg, chosen to participate by businessman Matias Machline of Sharp, emerged as the "third voice," exactly what the president of the republic was seeking. In the confrontation between Planning Minister Joao Sayad and Finance Minister Francisco Dornelles, the appearance of an economist equidistant between the two, such as Rosemberg, was providential for Sarney, who had taken office upon the death of Tancredo Neves and did not have a real power base, besides being beset by the differences within his cabinet.

In Rosemberg Sarney found someone whoxe economic theory fit in with his own liberal tendencies and with the need to oppose recession, marked by a policy clearly favorable to development, advocating economic growth and skeptical of IMF principles.

Rosemberg, balding, bearded, 41 years of age, is today very well positioned in Planalto Palace, but performs his duties with sobriety and without the "imperial style" of past governments, says Richard House. None of the big perquisites that became famous and caused consternation in the military governments. In his modest office, close to Sarney's, only a thermos jug of coffee and plastic cups.

Rosemberg's proximity to power did not, however, come about quite as rapidly as appears to be the case. Of Russian and Jewish forebears, Rosemberg was born in Sao Paulo, a state, the journalist recalls, whose economic strength was restrained by the military governments, which sought to relegate the federation's most powerful unit to political ostracism.

After graduating from USP [Sao Paulo University] in 1966, he worked until 1969 for ASPLAN, one of the largest consulting companies, where he gained fame as a dynamic business planner. Receiving a Ph. D. from Vanderbilt University, in Tennessee, early in the 1970s, his conversation is still marked by strong language, perhaps picked up in the United States (according to him, the foreign debt is "filthy rubbish").

Upon returning from the United States in 1974, Rosemberg interspersed classes in the University of Brasilia and in Sao Paulo with consulting work in association with another Vanderbilt graduate, Ibrahim Eris.

Delfim Clears the Way

Rosemberg, who, according to Eris, is "far to the left of Delfim Netto," although he cannot be labeled a "socialist," began frequenting the labyrinths of power precisely when the superminister returned to the government, in 1979. Eris and Rosemberg were recruited to work in the Institute of Economic and Social Planning [IPES] of the Planning Ministry. Rosemberg was seen as a rebellious figure, and at times even came to work wearing jeans.

According to the INSTITUTIONAL INVESTOR, Rosemberg and Eris maintained a critical attitude and did not play the part of "Delfim's boys," who were ideologically committed and accompanied their chief throughout his long career, from the golden years of the "economic miracle" to the implacable recession of 1980 and after.

But they participated in the decision-making process and "cannot escape this fact," says Eris. At the end of 1983, House recalls, the two Brazilian economists were in Washington negotiating the third agreement with the IMF that led to a 15 percent cut in real income in Brazil.

"The decision to make the salary cuts was very difficult. I cannot say that it has been the happiest moment of my life or of Luis Paulo's," Eris recalls. Today he believes that "growth and social redustribution are the highest priorities in a very poor country with alarming disparities of income." The times are changing.

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CSO: 3342/35

SAYAD OUTLINES STRATEGY FOR GROWTH IN 1986

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 16 Nov 85 p 28

[Text] Brasilia--The strategy for sustained resumption of Brazil's economic growth starting in 1986 includes three basic guidelines: reduction of the public debt, control of inflation and renegotiation of the foreign debt on a new basis, asserts Planning Minister Joao Sayad.

To reduce public expenditures, adds the secretary general of SEPLAN [Planning Secretariat], Andrea Calabi, rigorous control will be imposed upon government expenditures. There will be only two exceptions: investments made by public enterprises complementary to private initiative intended to activate the productive sector will not be jeopardized; and expenditures for social programs will be increased by 55 percent in real terms.

In combating inflation, government strategy provides for action on two fronts: first, assuring stability of prices, especially those for foodstuffs, and preventing new supply crises. Later, obtaining broad social agreement to overcome the momentum of inflation.

In renegotiating the foreign debt, the Brazilian Government intends to maintain a political discussion, within a long-term perspective, subordinating any agreement to social interests and the nation's economic and social needs.

Resource Transfer

It is in the context of the foreign debt that there is progress for Brazil, reflected in the First National Development Program [PND] of the New Republic, to be announced Monday. Brazil's position will not be so radical as that of Peru, which intends to pay for debts in an amount equivalent to 100 percent [sic; 10 percent?] of the value of its exports.

What Brazil does not need is new money, for example, nor establishment of a formal ceiling for payments. The new Brazilian position is simple: as the nation needs to grow, it will have to reduce the transfer of resources abroad. Today Brazil uses its entire trade surplus for the year, about $12 billion, to pay the interest on its debt.

This signifies that the nation is transferring about 5 percent of its Gross Domestic Product (GDP)--the sum total of goods and services produced here during the year--to international creditor banks. This 5 percent of GDP, in turn, represents 25 percent of the nation's savings. What Brazil wants, and this will be said to the bankers during the course of negotiations, is to reduce this resource transfer from 5 percent of GDP to 3 percent. This would prevent a resource transfer during the year of about $3.5 billion, equivalent to 35 trillion cruzeiros.

This 35 trillion cruzeiros in 1986 would be sufficient to strengthen the program of social priorities a little more, for example. This program will reach 24 trillion cruzeiros and, according to Sayad, it is intended to use it to begin the effective combat of absolute poverty in the nation. Transferring less money abroad, and thus a portion of it remaining within Brazil, the social objective would be much more quickly reached.

However, for next year Brazil still intends to maintain full payment of interest with its trade balance. The National Economic and Social Development Bank (BNDES) has prepared a study showing that the nation will be able to continue with the same strategy, paying interest with the trade surplus, because the external adjustment permits. Thus, exports only tend to rise.

But Planning Minister Joao Sayad points out that the nation cannot indefinitely transfer savings abroad, as long as it faces serious social problems on the domestic front. In the introduction to the PND, Minister Sayad leaves this message about the government's concern: to assure the democratic transition, Brazil intends to assure the social stability of the nation.

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CSO: 3342/33

PORTUGAL'S ENTRY INTO EEC TO AFFECT TRADE

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 21 Nov 85 p 31

[Text] The close ties between Brazil and Portugal can serve as a basis to enhance the interests of both countries--and Portugal's entry into the European Economic Community (EEC) creates a new dimension for bilateral business. The assertion was made yesterday by the secretary general of the Foreign Relations Ministry, Paulo Tarso Flecha de Lima, at the opening of the seminar "Portugal in the European Economic Community" sponsored by the Portuguese Chamber of Commerce of Sao Paulo and held in the facilities of the FIESP [Sao Paulo State Federation of Industries].

Flecha pointed out the importance of the European market for Brazil: there are 290 million consumers with great purchasing power, becoming 400 million consumers if the free trade between Europe and neighboring countries is taken dnto consideration. Since the 1960s, the EEC has been the largest market for Brazilian exports, except for a recent period when the U.S. dollar was especially strong. With the fall of the dollar against other currencies, Flecha predicted that the European market will again be of interest to Brazil, which was, moreover, the second largest importer of European goods in 1980, and the sixth largest between 1982 and 1984.

The Foreign Relations Ministry secretary general suggested that entry of Portugal --and also Spain--into the EEC, which now consists of 10 countries, will raise some barriers, in terms of tariffs and competition, for Brazilian goods in Europe. In consequence of this, Flecha advocated using the transition period of 7 to 10 years for Portugal's incorporation into the EEC as an opportunity for Brazil to create effective ties in Portugal, through investments, joint ventures, trade agreements and coordination of strategies of economic agents at the international level.

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CSO: 3342/35

AIR FORCE TO RECEIVE 50 MORE FRENCH HELICOPTERS

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 10 Nov 85 p 2

[Text] Rio de Janeiro--The Brazilian Air Force [FAB] will receive 50 new helicopters, due to the renegotiation of the Super-Puma contract, and the Amazon region will have a squadron of twin-rotor aircraft, Air Minister Moreira Lima informed O ESTADO DE SAO PAULO and JORNAL DA TARDE yesterday, when he was at Campo dos Afonsos in Rio.

With renegotiation of the contract, the FAB will have 10 Super-Puma helicopters, 10 Ecureil helicopters (which in Brazil will receive the name "Esquilo") and 30 single-rotor Ecureil helicopters. A balance of $2 million will remain, for purchase of supplies.

But if this available financing of $2 million is not used, the FAB may use the amount in acquisition of some other materiel. In the contract signed with the French Aerospatiale firm, the Air Force managed to resell six Puma helicopters with older technology than those it will start receiving in March.

The renegotiated contract was signed last December, in the amount of $92 million, and provided for purchase of 15 Super-Puma helicopters. The renegotiation was conducted by the Air Force General Staff. Reopening of the contract not only permitted a squadron of twin-rotor craft to be based in Manaus, but also led to a study now underway to establish a helicopter unit in Belem.

With installation of a squadron of twin-rotor helicopters in Manaus, as has been decided, according to the air minister, the helicopters will be able to take the place of the Catalina aircraft, already deactivated, assuring effective assistance for certain needy population areas in the Amazon region.

Air Minister Moreira Lima presided yesterday, at the Specialized Instruction School in Campo dos Afonsos, at a ceremony concluding courses for specialization in Aerospace Medicine, Pharmacy, Dentistry and a training and adaptation period for air force chaplains. The Specialized Instruction School is part of the Air Force University (UNIFA), created during the previous administration.

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CSO: 3342/35

NAVAL FORCES, MISSIONS, ADMINISTRATIVE STRUCTURE DETAILED

Moench TECNOLOGIA MILITAR in Spanish No 9/85 pp 12-14

[Article by Joao da Cruz Payao: "The Brazilian Navy"]

[Text] When the Portuguese court was forced to leave Lisbon in view of its besiegement by Napoleon's troops, part of that country's fleet was guarding the great royal entourage. It comprised the Navy's Royal Brigade convoy, forerunner of what is now the Brazilian Navy's Marine force. Brazil's independence occurred 14 years later, and the remains of this fleet, anchored off Rio de Janeiro, raised the flag of the young Brazilian nation. There were 22 vessels, including frigates, corvettes and schooners, all very worn from use and in poor condition. The following year, 1823, the "Independence Fleet" was created, underwritten by the people, with the frigates "Piranga," "Real," "Carolina," "Nictheroy," and "Tetis"; the ship "Pedro I," the corvettes "Maria da Gloria" and "Liberal," the brigantines "Real Pedro," "Caboclo," "Guarani" and "Cacique," the schooner-brigantines "Atlanta," "Rio da Prata" and "Real," and also 11 schooners, totaling 25 vessels.

The focal points of resistance to independence, situated on the shores of the Iparanga River, were difficult to overcome. The Navy's contribution was critical for putting an end to this resistance. For lack of personnel, the "Independence Fleet" incorporated foreign troops and officers, who distinguished themselves greatly in the battles for independence or for the consolidation of independence, recording their names in the history of Brazil.

The first battle took place on 4 May, against the Portuguese Division's vessels in Bahia which, 2 months later, left Brazilian waters forever, pursued by the Brazilian fleet.

Expelling the Portuguese forces settled in Brazil, protecting the country against the arrival of reinforcements and ensuring the pacification of the provinces and the unity of Brazilian territory were, therefore, the Brazilian Navy's first mission.

But it was not until a century later, in 1924, that, through a decree issued by President Arthur Bernardes, the fleet was created as an organized combat force.

A long road has been traversed since the "Independence Fleet" and the date of the arrival of the Portuguese royal family, 7 March 1808. During this period, the Brazilian Navy has always been ahead, with the latest advances in ship construction, ever modernizing itself. For example, 2 years after the creation of the "Independence Fleet," in 1825, the auxiliary vessel "Correio Imperial" was incorporated; the first steam-powered one, purchased from England. In 1847, the frigate "D. Alfonso," also steam-driven, was purchased; and thereafter the first armor plated vessels, made of wood with a metal hull.

In 1864, when Brazil was caught off-guard by the war with Paraguay, the Brazilian nation was already a first-rate naval power; its Navy on an equal footing with the greatest of the time. By then it had 16 ironclad ships. This fact was decisive in the long war with the Guarani country.

When the invasion of Brazilian territory took place in April 1865, the Brazilian fleet blockaded the Paraguay River. The immobilized Paraguayan ships attempted to break the blockade on 11 June 1365, when the battle of Riachuelo occurred, with the Brazilian fleet under the command of Admiral Barroso. The Paraguayan ships were destroyed, and that country lost any chance of taking the operations to a different theater.

In 1868, at the height of the war and as a result of the battle of Riachuelo, the Amazon Flotilla (FLOTAM) was created. After the war, the Ladario Naval Base was established and, in 1876, the Mato Grosso Flotilla was formed, precluding any attempt to penetrate the river route that would start a war.

In 1882, the first Polar Year, with the participation of 12 countries Brazil left its presence in the southern region with the corvette "Parnahyba"; the Navy was under the command of Admiral Saldanha da Gama, who observed the passage of the planet Venus through the solar disk.

In December 1882, the first official Brazilian expedition to Antarctica began, headed by the oceanographic vessel, "Barao de Tefe," with the participation of the ship of the same class, "Professor Wladmir Besnard," from the University of Sao Paulo.

Brazil was involved in World War I, and was forced to participate, declaring itself at war in October 1917, and immediately organizing for the defense of its coats, patrolling the South Atlantic with missions along the coasts of the African continent. The Naval Operations Division, created in 1918, had the greatest participation in the conflict. At this time, the Navy had also opened a gun powder factory, in 1909, with the Destroyer Division, to undertake a new weapon: the submarine. Since 1914, it had also had the Submarine Fleet, with three units, all of the FOCA class, purchased from Italy. It was likewise during 1917 that the Brazilian Navy's Naval Aviation was created; it was later transferred to the Brazilian Air Force (FAB) and, with the title Aeronaval Force, would be recreated in 1961.

Brazil also took part in World War II, during August 1942. This was the era of the Brazilian Navy's major expansion, with 35 ships at the time. A short time before it had incorporated 28 more, and, during the conflict, 24, including hunter-killer submarines and destroyers. It was already planned to replace the latter with newer vessels, as part of the Navy's modernization plan. They were replaced by modern corvettes of native design.

In 1956, the light aircraft carrier "Minas Gerais" was purchased and, completely renovated and modernized, it was incorporated into the fleet in 1960, lending the latter new dimensions, intensifying its strength and expanding it with potential for defensive and offensive combat.

In May 1961, the Minas Combat Force was created.

During July 1981, President Joao Figueiredo approved the law creating the Women's Auxiliary Corps of the Naval Reserve, as a solution for medium and long term complementation of the force's human resource requirements, releasing officers and posts performing duties of a technical and administrative type on land.

On 14 August 1981, the celebration was held marking the formation of the first officers' company of the Naval Reserve's Women's Auxiliary Corps.

Organization

A peaceful nation, Brazil is not bent on wars of conquest. Inasmuch as the facilities required for defense are fewer than those for offense, Brazil has always maintained armed forces considered to be among the most economical in the entire world; and its defense budget is laughable when compared with that of other developing nations, even those with a lower gross national product. The policy adopted by each of the forces is one of esteem for the individual and very careful training of its combatants, with the formation of highly skilled reserves over a short period of time, all under the aegis of the economy. Hence,each combatant, as a man of the sea, acquires the motivation of embodying a special being, capable of accomplishing anything in the realm of operations.

The Brazilian Navy is an armed force with a high level of professionalization.

It is the largest South American naval force; its ships are modern; and the backup structure on shore is sufficient to keep it in operating condition. And the Brazilian ship-building industry is also the largest and most diversified in Latin America. The Law on Determination of Forces passed by the Brazilian Congress decided, for the Navy, a total personnel of about 40,000 seamen and petty officers, 4,000 officers and 10,000 Marines, in addition to 17,200 civilians engaged in the most varied activities, as consultants, researchers, shop workers, technicians and specialized workers. A large number of shop workers, technicians and researchers will be replaced by the military from the Naval Reserve's Women's Auxiliary Corps.

Commands and Units

Minister of Navy
Navy Chief of Staff
Naval Operations Command
Navy High Command (head: Minister of Navy)

Fleet:

"Minas Gerais" light aircraft carrier
Backup force
Frigate force
Destroyer force
Aeronaval force
Submarine force
Admiral Marques Leao Training Center (antisubmarine warfare)
Fleet supplies

Naval Districts and Commands

First Naval District (1st DN)
Headquarters: Rio de Janeiro (RJ)
Jurisdiction over the states of Rio de Janeiro, Espiritu Santo, Sao Paulo, Minas Gerais and Trinidad and Maritim Vaz Islands

Second Naval District (2nd DN)
Headquarters: Salvador (BA)
Jurisdiction over the states of Bahia and Sergipe

Third Naval District (3rd DN)
Headquarters: Natal (RN)
Jurisdiction over the states of Maranhao, Piaui, Ceara, Rio Grande do Norte, Paraiba, Pernambuco and Alagoas

Fourth Naval District (4th DN)
Headquarters: Belem (PA)
Jurisdiction over the states of Acre, Amazonas, Para and Rondonia, and the territories of Roraima and Amapa

Fifth Naval District (5th DN)
Headquarters: Rio Grande (RS)
Jurisdiction over the states of Parana, Santa Catarina and Rio Grande do Sul

Sixth Naval District (6th DN)
Headquarters: Ladario (MT)
Jurisdiction over the states of Mato Grosso and Mato Grosso do Sul

Brasilia Naval Command
Headquarters: Brasilia (DF)
Jurisdiction over Goias and the Federal District of Brasilia

Naval Commission in Sao Paulo
Sao Paulo (SP)

Marine Corps:

General Command
Fleet Marine Force Command (FFE)
Marine Corps Backup Command
Amphibious Division of the Fleet Marine Force

Educational Establishments:

Naval College, Angra dos Reis (RJ)
Naval School, Villegaignon Island, Rio de Janeiro (RJ)
Naval War School, Rio de Janeiro (RJ)
Apprentice Seaman Schools (school-units):
Fortaleza (CE)
Vila Velha (ES)
Recife (PE)
Florianopolis (SC)
Admiral Wandenkolk Instruction Center (CIAW); (school units)

District Forces

Amazonas Flotilla
Mato Grosso Flotilla
Northeast Coastal Patrol Force

Industrial Establishments:

Rio de Janeiro Naval Arsenal (AMRJ)
Artillery and Torpedo Factories
Weapons and Ammunition Centers
Naval Research Institute
National Press

Naval Bases:

Val-de-Caes Naval Base (Belem, PA)
Admiral Ary Parreiras Naval Base (Natal, RN)
Recife Naval Base
Aratu (PA) Naval Base
Sao Pedro de Aldeia (RJ) Naval Air Base
Ladario River Base (former Naval Arsenal), Corumba (MT)
Admiral Castro y Silva Base (BACS or Submarine Base) Rio de Janeiro (RJ) and
Admiral Atila Monteiro Ache Instruction Center (CIAMA)

Bureaus:

Bureau of Hydrography and Navigation
Bureau of Naval Aeronautics
Bureau of Naval Supply (Superintendency)
Bureau of Naval Administration (Superintendency)
Bureau of Naval Finances (Superintendency)
Naval Auditing Service (Superintendency)

Alcatrazes Firing Range

The Forces and Their Missions

"Minas Gerais" light aircraft carriers (A 11):

Operate mainly helicopters from the General Use Helicopter Fleet (HU-1 Fleet), and Antisubmarine Helicopter Fleet (HS-1 Fleet), as well as airplanes from the Shipborne Aviation Group (GAE) of the Brazilian Air Force (FAB).

This is the ship heading the fleet, which constitutes the core of the Aeronaval Force.
Missions:

To offer air backup near the antisubmarine activities
To cooperate in the coordination and control of surface units and in the areas of the Operation Forces

Destroyer Force:

"Mariz e Barros"(D-26) and "Marcillo Dias" (D-25) destroyers
Two fleets of destroyers
Ocean surveillance ship fleet

Missions:

Submarine combat, and possible use in surface and antiaircraft activities

Frigate Force:

Two EG (General Use) frigates
Four AS (Antisubmarine) frigates

Common weaponry on the frigates:

One 4.5 inch automatic cannon
Two triple antiaircraft missile launchers (SEACAT)
One double antisubmarine rocket launcher (ASROC)
Two triple antisubmarine torpedos
Two L70 40 mm guns

One "Lynx" helicopter (missions: intelligence, antisubmarine warfare and use against surface vessels)

Special weaponry on the EG frigates:

4.5 inch Vickers Mk 8 stern gun
Surface-to-surface "Exocet" missile launchers

Special weaponry on the AS frigates:

"Ikara" antisubmarine missile launcher

All the frigates have an integrated computer information system, CAAIS (computer assisted action information system)

Submarine Force:

"Gastao Moutinho" K-10 submarine salvage vessel
Four "Guppy" class submarines
Three "Oberon" class submarines

All the submarines are equipped with "snorkels." The "Guppy" type are armed with "Tigerfish" remotely controlled torpedos, and the "Oberon" type with conventional 21-inch torpedos.

The Admiral Castro y Silva Base (BACS) and the Atila Monteiro Ache Instruction Center are incorporated into the Submarine Force.

Backup Force:

Created in August 1982, it includes naval equipment and facilities from the abolished Logistical Backup and Transportation Forces, both of the Navy. It has the school ship "Custodio de Mello."

The mobile logistical backup is carried out by the Fleet Group and the "Marajo" tank ship, with a capacity to resupply up to two ships simultaneously, on the open sea.

The Fleet Group has available:

"Belmonte" (G-24) shop vessel
"Alfonso Pena"(G-25) floating drydock
"Admiral Hess"(U-30) coastal backup vessel of the Electronics and Weaponry Repair Group.

Missions:

Execution of amphibious and logistical backup operations (resupply at sea and ship repairs)

Active participation in the training of Navy personnel and personnel engaged in the maritime transportation of military and government interest

In amphibious operations, carrying troops, vehicles, battle tanks and various Marine equipment for landing on beaches in troop carrier ships and battle tank landing vessels.

Aeronaval Force:

Sao Pedro d'Aldeia Naval Air Base
Aeronaval Instruction and Training Center
First General Use Helicopter Fleet (HU-1 Fleet)
First Antisubmarine Helicopter Fleet (HS-1 Fleet)
First Antisubmarine Detection and Attack Helicopter Fleet (HA-1 Fleet)
First Instruction Helicopter Fleet (HI-1 Fleet)

Missions:

HU-1 Fleet:

Liaison and observation

Launching of combat paratroopers and divers, troop transport, hydrographic service, aircraft surveillance on the "Minas Gerais" aircraft carriers, search and rescue (provided with "Wasp" UH-2 Westland helicopters of British make, and "Esquilo" helicopters assembled in Brazil)

HS-1 Fleet:

Heightening of the Navy's capacity in antisubmarine combat (provided with Sikorsky SH-3D "Sea King" helicopters operating on the "Minas Gerais," and with powerful depth sonar, and antisubmarine torpedoes or depth charges.

HA-1 Fleet:

Making rapid attacks on detected submarines, carrying torpedoes or depth charges

Making attacks on surface vessels, supplied with missiles (provided with "Lynx" helicopters having sophisticated navigation and flight control equipment, capable of operating under adverse conditions, including night-time). Its helicopters are part of the armament of the Frigate Force's ships.

HI-1 Fleet:

Training of naval pilots, in addition to instruction (provided with Bell 206 "Jet-Ranger" helicopters)

Minas Combat Force

Aratu Naval Base
Minesweeper vessels
Patrol boats

Missions:

Providing security to the maritime traffic routes on the Brazilian coast and in areas of the national terminal ports and platforms

Instruction

Control of entry into Brazilian ports and harbors

Possibly used in mining operrations (requiring for this purpose the installation of rails on board)

Marine Corps

Fleet Marine Force (FFE)
Amphibious Division

"Riachuelo" Marine Battalion
"Humaita" Marine Battalion
"Paissandu" Marine Battalion
Services Battalion
Artillery Group
Personnel from Engineering, Communications, Armored, Paratroopers, Divers, Amphibious Vehicles and other entities

Reinforcement Troops:

"Tonelero" Special Operations Battalion
Command, Engineering, Motorized Transport, Maintenance and Supply Battalions

The Marine units have the ability to detail landing groups of variable composition, depending on the nature of the mission, reinforced by backup weapons. When shipborne with the Amphibian Force, these details constitute the Landing Force.

It is also possible to organize fleets of helicopters and carry out the vertical involvement of the enemy's rear.

Missions

Gaining a beachhead, ensuring possession of a region, allowing the the landing of other forces to continue the action inland

Naval College

In three years of courses, based on the boarding system, the students complete the second (college) term and start learning professional activities, handling small vessels, learning their military duties and improving their physical condition.

The Naval College is the gateway to the Naval School. Three quarters of the candidates for the Naval School come from the Naval College.

Naval School

The Naval School trains the officers of the Naval Corps, the Marine Corps and the Marine Superintendency. Here a university course is given to the future officers, simultaneously with the professional course that will equip them to perform their duties on board and in the military organizations on shore. After the adaptation period taking several weeks, the approved candidates are officially admitted as candidates. *

During the first year, the course is a common one; the schooling for the intended course is given during the second year. The specific courses begin after the third semester.

Those approved in the eighth semester are declared midshipmen at a formal ceremony. The fifth year is one of apprenticeship in the Navy's establishments or on ships. Subsequently, the midshipmen make a voyage aboard a school ship ("Custodio de Mello"), paying visits to Brazilian and foreign ports. This is the end of the course. Then the midshipmen are designated second lieutenants, and assigned to Navy ships, quarters or establishments.

The Naval Reserve officers are trained at the Reserve Officers Training School (EFORM), set up at the Admiral Wandenkolk Instruction Center (CIAW) on Las Enxadas Island, in Rio de Janeiro. The course is taken during vacations (15 December to 15 February, and 1 to 31 July) for 2 consecutive years. At the conclusion of the course, the students are declared midshipmen , and take a 1-month apprenticeship, generally, shipborne, and are promoted to second lieutenant in the reserve. Upon passing competitive examinations, they may be included in the Naval Officers Complementary Cadres, with opportunities for access to a ship's captain position.

The adaptation of the future officers of the Naval Health Corps, the Corps of Engineers and Naval Technicians, the Auxiliary Officers Cadre and the Naval Complementary Cadre , is also carried out at EFORM.

Naval War School

This school is the highest ranking studies center of the Navy, and trains its officers for ship command and for staff duties.

Basic Seamen Schools

At the four existing schools students are prepared for careers in the Navy. During the course, if they apply themselves, the students are promoted to midshipmen. At the conclusion of the course, as seamen, they are incorporated

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* A candidate is a Naval School student, just as cadet is the title of students at the Agujas Negras Military Academy and the Air Force Academy.

into the Naval Corps for a period of 3 years, which may be extended, for an equal period, several times; until, after 9 years, the position acquires stability in the Force.

After the first year, the seaman may specialize in Navy courses, and apply at the Petty Officers Training School.

Professionalization

In other establishments, such as the Admiral Marques de Leao Instruction Center (CAAML), the Admiral Atila Monteiro Ache Instruction Center (CIAMA), the Naval Instruction and Training Center (CIAN), the Marine Corps Instruction and Training Center (CIACFN), the Admiral Adalberto Nunez Physical Education Center (CEFAN) and the Naval Arsenal Technology School (ETAM), Navy officers and petty officers/seamen are improved and acquire a lofty spirit of professionalization.

Women's Reserve Auxiliary Corps

The Women's Auxiliary Officers Cadres (QAFO) consists of women who are graduates or post-graduates of official institutions of higher learning.

The Women's Auxiliary Seaman/Petty Officers Cadre (QAFP) consists of women with capacity on the second grade level.

In both instances, the candidate are subjected to selection, and take adaptation courses.

Entry into the QAFO takes place at the midshipman post. After having passed the adaptation course, the midshipmen are promoted to second lieutenant, and may rise to the rank of frigate captain.

Candidates enter the QAFP as specialized seamen and, in the adaptation course, they are promoted to the rank of corporal. They can rise up to the rank of petty officer.

Rio de Janeiro Naval Arsenal (AMRJ)

The AMRJ was founded in Rio de Janeiro on 29 December 1763. At present, it has complex facilities on Las Cobras Island, and is well equipped and modern. The first large tonnage vessel built there was the "Sao Sebastiao," with 64 firearms, constructed in 1767.

During the first 2 weeks of April 1985, the AMRJ turned over to the Paraguayan Navy the river patrol boat "Itaipu," the first built at that arsenal for export. The features of the "Itaipu" are similar to those of the operational patrol boats of the Brazilian Navy.

The Naval Arsenal currently has the most modern equipment of its own for ship construction, and can build vessels of up to 75,000 dead weight tons, nearly

250 meters long and 36 meters wide; and it can also make repairs on vessels of any size. It occupies an area of 320,000 square meters, and is equipped with shops covering all specialties. It employs 6,000 men, including engineers and specialized technicians.

Recently, the Rio de Janeiro Naval Arsenal christened the school ship "Brasil" (U-27). It is equipped to build frigates, corvettes, coastal patrol boats, general cargo vessels and others. With a license from the Federal Republic of Germany, it will soon be building the first Brazilian class 209 (type 1400) submarine.

The AMRJ has three drydocks. The "Admiral Jardim" (formerly the "Imperial"), started in 1824 and completed in 1861, which is completely excavated from rock, measures 170 meters long, 11.30 tall and 27 wide.

The excavation of the "Santa Cruz" began in 1861, and the work was completed in 1874 (with a 7-year period of interruption); it is 95 meters long, 21 wide and 11.20 tall.

The "Admiral Regis" was started in 1910, its construction was stopped in 1914, and it was resumed 8 years later. It was opened on 2 June 1928. When filled, it takes in a volume of 120,000 cubic meters, and it takes a minimum of 3 hours to empty. It is 253 meters long, 44 wide and 15.40 tall.

The Civilian Shipyards

Although there is a large number of qualified civilian shipyards in Rio de Janeiro, the first of them founded during the last century, only a few have done work for the Brazilian Navy to date. Among them, we can mention the ISHIBRAS Shipyards, Inc (Ishikawjima of Brazil), at whose facilities, between 1966 and 1968, the tanker "Marajo" (G-27) was constructed; as well as the MacLaren Shipyards, and Shipyards and Maritime Services, Inc which built the three units (vessels for maritime patrol) of the "Roraima" class for the Brazilian Navy. The other shipyards, the Commerce and Navigation Company (CCN-Maua Shipyard), United Industries, CANCECO, Inc, Verolme United Shipyards of Brazil, Inc and others, have been engaged primarily in the construction and repair of Merchant Marine vessels and ships.

All of them have excellent facilities, which would also be useful for the construction of ships for the Navy. In fact, at the present time, the Brazilian Navy is evaluating the shipyards so as to assign to them some of the units that have been planned as part of the exhuastive warship construction program. Although the shipyards were not selected to participate in the program, all of them are interested in the construction of warships for export.

The South Atlantic

Brazil is responsible for a maritime zone of 2,766,150 square meters (representing a third of its territory). It is approximately an area contained within the coasts and measuring nearly 8,000 kilometers, and the 200-mile zone (370.4 kilometers long). This sea contains 3,300 cubic kilometers of waters replete with vegetation, animals and minerals. It is incumbent on the Brazilian Navy to guard that inestimable treasure, in addition to its assigned mission of ensuring free transit for Brazilian foreign trade and the maintenance of peace and stability in its waters.

The South Atlantic is the natural element of the Brazilian Navy, and its raison d'etre. Brazil has, in the South Atlantic, besides the Fernando de Norohna archipelago, an advance guardpost: namely, Trinidad Island, the occupation of which by the Brazilian Navy, which maintains an oceanographic station there, is of the greatest scientific and strategic importance. The fleet's ships are familiar with their siting, where they participate every year in joint maneuvers with other countries; as in the case of operation "Unity," which includes several navies of South American countries and the U.S., and operation "Friendship," with the Argentine Navy. And the fleet's vessels are also familiar with the country's extensive potamographic system, for which they are responsible, including rivers such as the Paraguay, Parana, Solimaes, Tocantins and Amazon, among others.

The Brazilian Navy is aware that, in order to carry out the missions assigned to it in Brazilian waters, the high degree of professionalism among its personnel and their proven dedication at all times do not suffice. There is always a need to modernize the Navy, as is traditional in that force. The nationalization of the construction of its vessels and systems, and of the equipment installed in them, has been persistently pursued during recent decades by the Navy.

For that purpose, the Navy has already held the First Meeting on Nationalization for the Navy; and, from 23 to 26 April 1985, the Second Meeting was held in Sao Paulo. At it, businessmen and officials engaged in the plan to renovate the Navy's facilities, debated and exchanged ideas and opinions regarding the nationalization of nearly 3,000 items, which need to be nationalized, checking the possibility of having the native industry manufacture them. The current plan is to reequip the fleet by the end of this century, so as to reach the year 2000 with Brazilian ships equipped with entirely native weapons and systems. That plan will unquestionably meet with obstacles to its execution, and may be reduced; nevertheless, since it is a plan, its execution could also be expanded.

According to the plan, by the end of the century, with the exception of the submarines purchased from Great Britain ("Oberon" class), one IKL 209/1400 submarine, the four "Niteroi" class frigates and the "Aratu" class minesweepers, all the other vessels will be of Brazilian construction.

There will be assigned to native shipyards 12 "Inhauma" class corvettes, 12 NAC class (NAC 1 and NAC 2) conventional submarines, the design for which is fully under way, and two IKL 209-1400 type submarines. Three already existing "Oberon" class submarines will be modernized, and the first Brazilian nuclear attack submarine will be built. In addition, it is planned to build 12 ocean patrol boats of the 700 ton size, as well as six "Aratu" class minesweepers and other auxiliary vessels for the Mine Combat Force of more modern types. The number and type of the latter are still being studied. Moreover, a new troop transport ship has been planned, as has a battle tank landing vessel.

The readaptation of the Brazilian Navy includes both the improvement of the active vessels and that of the newly acquired ones. Of the 10 existing destroyers, three will be deactivated (those of the "Fletcher" class). The others will be modernized, replacing some on board electronic equipment, with a complete revision of machines and replacement of the antiaircraft weapons with 20 mm native guns with a very high rate of fire, to be used against aircraft or low level anti-ship missiles.

The six frigates of the "Niteroi" class will be retained, and may receive the following modifications: replacement of the antiaircraft missiles with native 20 mm automatic guns; replacement of the electronic instruments; and, possibly, an exchange of the French "Exocet" missiles for the native "Barracuda" type.

Two antiaircraft frigates will be built to protect the aircraft carriers against attacks by anti-ship aircraft and missiles. These antiaircraft defense frigates will be of native design, and will have the configuration of the long "Niteroi" class frigates, with a hull the same as that of the school ship "Brasil," built at the Naval Arsenal. The electronic instruments will also be completely native. The frigates will not have anti-ship missiles, because they will be provided with a 114 mm gun, two 40 mm automatic guns and four native anti-missile guns and long-range antiaircraft missile launching tubes (of British or American make). They may be equipped with Brazilian-made "Piranha" antiaircraft missiles.

Two corvettes are now in the construction phase, and six more have already been ordered, with an additional 12 announced; all of the "Inhauma" class. They will be 96 meters long and will displace 1,960 tons.

They will be built in two batches, each including six. The six in the first batch will have four "Exocet" sea-to-sea missile launching tubes, six anti-submarine torpedo-launching tubes, a 4.5 mm Vickers Mk8 gun on the bow, as well as two 40 mm Breda/Bofors guns. They will be able to transport a "Lynx" helicopter armed with "Sea Skua" anti-ship missiles. The firing computer system will be the "CAAIS," manufactured by Ferranti of Brazil.

The other six will carry "Barracuda" missiles and eight Avibras "SSAI-N" missiles; and on the stern they will have a 20 mm native anti-missile gun. They will use the Avibras "FILA" (fighting intruders at low altitude) anti-aircraft defense, connected to the "CAAIS" firing computer system.

More minesweeper vessels may be built with wooden and fiberglass anti-magnetic hulls, at the Rio Grande do Sul shipyards.

New coastal patrol boats will replace those in service, and they will have two 40 mm automatic antiaircraft guns, as well as two 5 mm guns removed from the destroyers, which will be deactivated.

A battle tank landing vessel will be built, and also another landing craft transport vessel, the latter similar to the "Ouragan," and equipped to carry the 2 LCT or the 19 LCM near enemy beaches, making it possible to operate four heavy "Sea King" or "Sea Stallion" helicopters.

Construction recently began on an IKL 209/1400 submarine, in Kiel (Federal Republic of Germany) for the Brazilian Navy. Another one will be built at the Naval Arsenal in Brazil. They will have modifications of the basic model, and will replace two of the "Guanabara" class. Next, Brazil will manufacture more native designed submarines in two models: the NAC 1 and the NAC 2. The former series, the NAC 1, will include four units, and the NAC 2 will have six. Subsequently, about the year 2000, construction will be started on the first Brazilian nuclear submarine, which will also be based on the IKL 209/1400, with an elongated and reinforced hull. It will have to displace 2,500 tons on the surface, and 2,700 when submerged. It will have a 12 megawatt propulsion reactor, activating electric engines, and will have auxiliary diesel engines, and a speed of from 25 to 30 knots when submerged. It will be provided with six "Tiger Fish" tubes with 12 recharges for launching conventional or remote-controlled torpedoes; with a maximum submerged capacity of 280 meters.

The current studies on the modernization of the Brazilian Navy indicate two options for the replacement of the "Minas Gerais" light aircraft carrier: either three light aircraft carriers similar to the "Principe de Asturias" (of the Spanish Navy), or one light aircraft carrier plus one medium-sized one.

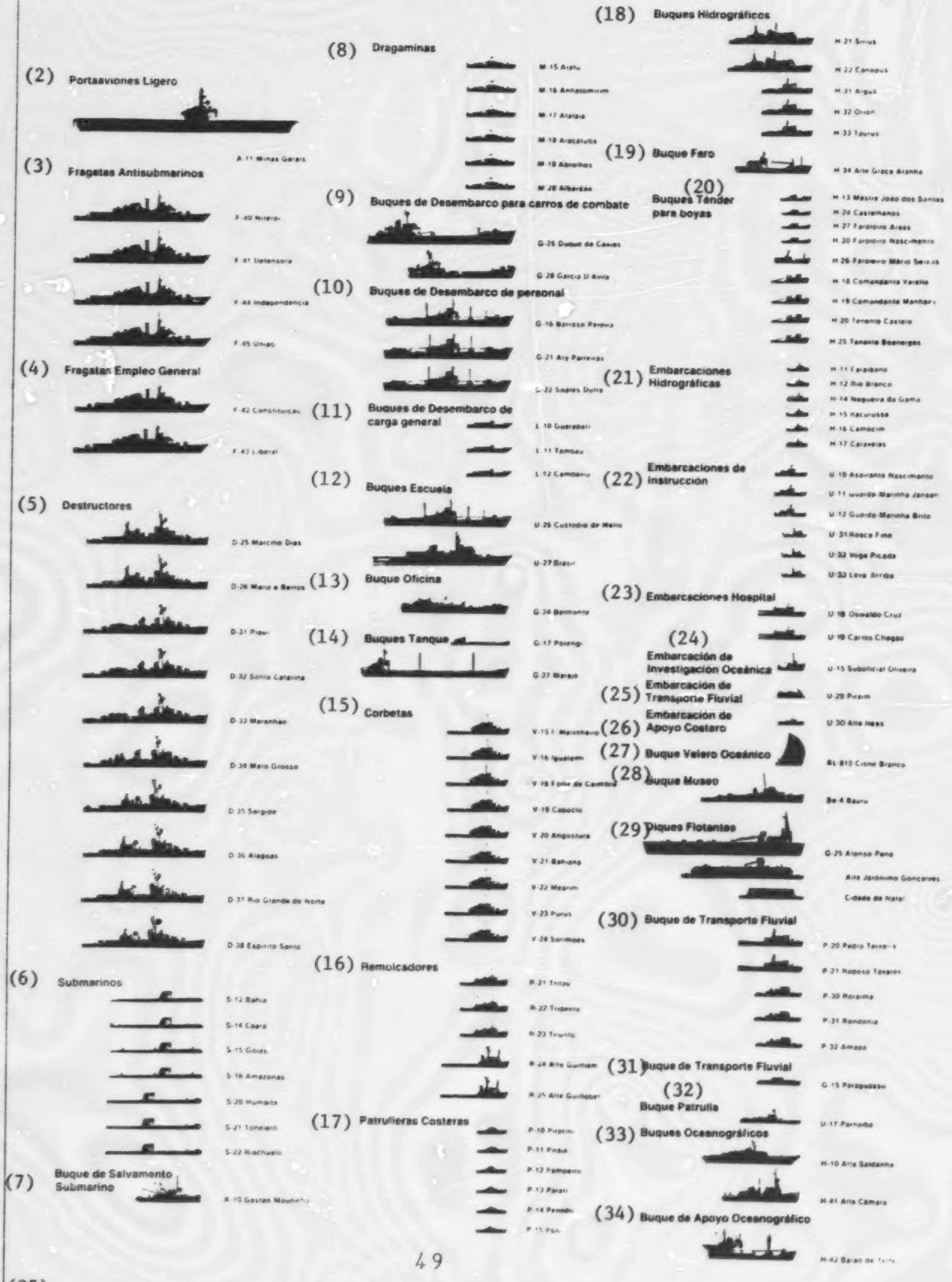
The light aircraft carrier must measure 170 meters and displace 15,000 tons. It will have mixed propulsion, including gas turbines and diesel engines; and it will have antisubmarine missions.

The medium-sized aircraft carrier will measure 230 meters long and 50 wide; and it may have mixed propulsion, including gas turbines and diesel engines or atomic reactors. It will be able to operate between 35 and 40 airplanes or helicopters, and will be supplied with antiaircraft and antimissile guns and missiles. It will have a speed of 28 knots, and two steam-driven catapults.

The plan is sensible and attainable, because it is modest, to a certain extent.

Although modest, it will encounter difficulties and obstacles in the austerity measures that the government itself has imposed. However, the government will expend the greatest effort to back its execution, or else run an uncalculable risk of a potential obsolescence of the Navy's floating facilities.

(1) # Armada de Brasil

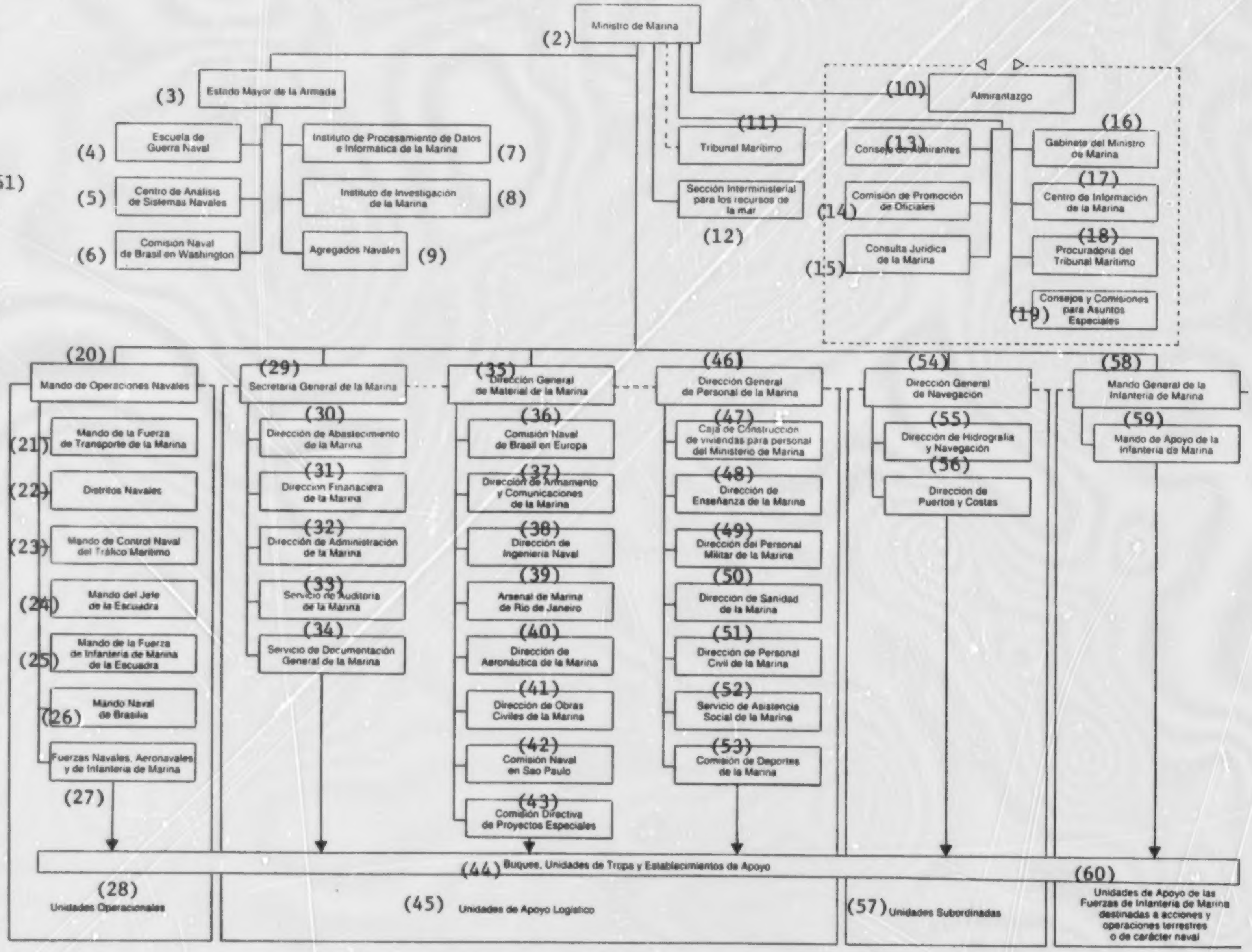

(2) Portaaviones Ligero
A-11 Minas Gerais
(3) Fragatas Antisubmarinos
F-40 Niteroi
F-41 Defensora
F-44 Independencia
F-45 Uniao
(4) Fragatas Empleo General
F-42 Constituicao
F-43 Liberal
(5) Destructores
D-25 Marcilio Dias
D-26 Mariz e Barros
D-31 Piaui
D-32 Santa Catarina
D-33 Maranhao
D-34 Mato Grosso
D-35 Sergipe
D-36 Alagoas
D-37 Rio Grande do Norte
D-38 Espirito Santo
(6) Submarinos
S-12 Bahia
S-14 Ceara
S-15 Goias
S-16 Amazonas
S-20 Humaita
S-21 Tonelero
S-22 Riachuelo
(7) Buque de Salvamento Submarino
K-10 Gastao Moutinho
(8) Dragaminas
M-15 Aratu
M-16 Anhatomirim
M-17 Atalaia
M-18 Aracatuba
M-19 Abrolhos
M-20 Albardão
(9) Buques de Desembarco para carros de combate
G-26 Duque de Caxias
G-28 Garcia D'Avila
(10) Buques de Desembarco de personal
G-16 Barroso Pereira
G-21 Ary Parreiras
G-22 Soares Dutra
(11) Buques de Desembarco de carga general
L-10 Guarapari
L-11 Tambau
L-12 Camboriu
(12) Buques Escuela
U-26 Custodio de Mello
U-27 Brasil
(13) Buque Oficina
G-24 Belmonte
(14) Buques Tanque
G-17 Potengi
G-27 Marajo
(15) Corbetas
V-15 I. Marinheiro
V-16 Iguatemi
V-18 Forte de Coimbra
V-19 Caboclo
V-20 Angostura
V-21 Bahiana
V-22 Mearim
V-23 Purus
V-24 Solimoes
(16) Remolcadores
R-21 Tritao
R-22 Tridente
R-23 Triunfo
R-24 Alte Guilhem
R-25 Alte Guillobel
(17) Patrulleras Costeras
P-10 Piratini
P-11 Piraja
P-12 Pampeiro
P-13 Parati
P-14 Penedo
P-15 Poti
(18) Buques Hidrográficos
H-21 Sirius
H-22 Canopus
H-31 Argus
H-32 Orion
H-33 Taurus
(19) Buque Faro
H-34 Alte Graca Aranha
(20) Buques Tender para boyas
H-13 Mestre Joao dos Santos
H-24 Castelhanos
H-27 Faroleiro Areas
H-30 Faroleiro Nascimento
H-26 Faroleiro Mário Seixas
H-18 Comandante Varella
H-19 Comandante Manhaes
H-20 Tenente Castelo
H-25 Tenente Boanerges
(21) Embarcaciones Hidrográficas
H-11 Paraibano
H-12 Rio Branco
H-14 Nogueira da Gama
H-15 Itacurussa
H-16 Camocim
H-17 Caravelas
(22) Embarcaciones de instrucción
U-10 Aspirante Nascimento
U-11 Guarda-Marinha Jansen
U-12 Guarda-Marinha Brito
U-31 Rosca Fina
U-32 Voga Picada
U-33 Leva Arriba
(23) Embarcaciones Hospital
U-18 Oswaldo Cruz
U-19 Carlos Chagas
(24) Embarcación de Investigación Oceánica
U-15 Suboficial Oliveira
(25) Embarcación de Transporte Fluvial
U-29 Piraim
(26) Embarcación de Apoyo Costero
U-30 Alte Hess
(27) Buque Velero Oceánico
BL-810 Cisne Branco
(28) Buque Museo
Be-4 Bauru
(29) Diques Flotantes
G-25 Afonso Pena
Alte Jerónimo Goncalves
Cidade de Natal
(30) Buque de Transporte Fluvial
P-20 Pedro Teixeira
P-21 Raposo Tavares
P-30 Roraima
P-31 Rondonia
P-32 Amapa
(31) Buque de Transporte Fluvial
G-15 Paraguassu
(32) Buque Patrulla
U-17 Parnaiba
(33) Buques Oceanográficos
H-10 Alte Saldanha
H-41 Alte Câmara
(34) Buque de Apoyo Oceanográfico
H-42 Barao de Teffé

(35) Fuente: Servicio de Relaciones Publicas de la Armada de Brasil

Key to Chart 1:

1. Brazilian Navy
2. Light aircraft carrier
3. Antisubmarine frigates
4. General use frigates
5. Destroyers
6. Submarines
7. Underwater salvage vessel
8. Minesweeper
9. Landing ships for battle tanks
10. Personnel landing ships
11. General cargo landing ships
12. School ships
13. Shop vessels
14. Tank boats
15. Corvettes
16. Tugs
17. Coastal patrol boats
18. Hydrographic vessels
19. Light ship
20. Tender ships for buoys
21. Hydrographic craft
22. Instruction craft
23. Hospital craft
24. Ocean research craft
25. River transport craft
26. Coastal backup craft
27. Ocean sailboat
28. Museum vessel
29. Floating drydocks
30. River transport ship
31. River transport boat
32. Patrol boat
33. Oceanographic vessels
34. Oceanographic backup vessel
35. Source: Brazilian Navy Public Relations Service

(1) Organigrama de la estructura administrativa del Ministerio de Marina


(2) Ministro de Marina
(3) Estado Mayor de la Armada
(4) Escuela de Guerra Naval
(5) Centro de Análisis de Sistemas Navales
(6) Comisión Naval de Brasil en Washington
(7) Instituto de Procesamiento de Datos e Informática de la Marina
(8) Instituto de Investigación de la Marina
(9) Agregados Navales
(10) Almirantazgo
(11) Tribunal Marítimo
(12) Sección Interministerial para los recursos de la mar
(13) Consejo de Almirantes
(14) Comisión de Promoción de Oficiales
(15) Consulta Jurídica de la Marina
(16) Gabinete del Ministro de Marina
(17) Centro de Información de la Marina
(18) Procuradoría del Tribunal Marítimo
(19) Consejos y Comisiones para Asuntos Especiales
(20) Mando de Operaciones Navales
(21) Mando de la Fuerza de Transporte de la Marina
(22) Distritos Navales
(23) Mando de Control Naval del Tráfico Marítimo
(24) Mando del Jefe de la Escuadra
(25) Mando de la Fuerza de Infantería de Marina de la Escuadra
(26) Mando Naval de Brasilia
(27) Fuerzas Navales, Aeronavales y de Infantería de Marina
(28) Unidades Operacionales
(29) Secretaría General de la Marina
(30) Dirección de Abastecimiento de la Marina
(31) Dirección Finanaciera de la Marina
(32) Dirección de Administración de la Marina
(33) Servicio de Auditoría de la Marina
(34) Servicio de Documentación General de la Marina
(35) Dirección General de Material de la Marina
(36) Comisión Naval de Brasil en Europa
(37) Dirección de Armamento y Comunicaciones de la Marina
(38) Dirección de Ingeniería Naval
(39) Arsenal de Marina de Río de Janeiro
(40) Dirección de Aeronáutica de la Marina
(41) Dirección de Obras Civiles de la Marina
(42) Comisión Naval en Sao Paulo
(43) Comisión Directiva de Proyectos Especiales
(44) Buques, Unidades de Tropa y Establecimientos de Apoyo
(45) Unidades de Apoyo Logístico
(46) Dirección General de Personal de la Marina
(47) Caja de Construcción de viviendas para personal del Ministerio de Marina
(48) Dirección de Enseñanza de la Marina
(49) Dirección del Personal Militar de la Marina
(50) Dirección de Sanidad de la Marina
(51) Dirección de Personal Civil de la Marina
(52) Servicio de Asistencia Social de la Marina
(53) Comisión de Deportes de la Marina
(54) Dirección General de Navegación
(55) Dirección de Hidrografía y Navegación
(56) Dirección de Puertos y Costas
(57) Unidades Subordinadas
(58) Mando General de la Infantería de Marina
(59) Mando de Apoyo de la Infantería de Marina
(60) Unidades de Apoyo de las Fuerzas de Infantería de Marina destinadas a acciones y operaciones terrestres o de carácter naval

(61) Este organigrama fué ofrecido por la Armada de Brasil y se refiere al Decreto 62 860/68. e incluye las alteraciones del Decreto 85 924 del 22 de abril de 1981.

Key to Chart 2:

1. Organizational table of the Ministry of Navy administrative structure
2. Minister of Navy
3. Navy Staff
4. Naval War School
5. Naval Systems Analysis Center
6. Brazilian Naval Commission in Washington
7. Naval Data Processing and Information Science Institute
8. Naval Research Institute
9. Naval attaches
10. Admiralty
11. Maritime Court
12. Interministerial section for ocean resources
13. Admirals Council
14. Officer Promotion Commission
15. Naval Legal Consultants Office
16. Ministry of Navy Cabinet
17. Naval Intelligence Center
18. Maritime Court Prosecutor's Office
19. Councils and commissions for special matters
20. Naval Operations Command
21. Naval Transport Force Command
22. Naval Districts
23. Maritime Traffic Naval Control Command
24. Fleet Chief Command
25. Fleet Marine Force Command
26. Brasilia Naval Command
27. Naval, Aeronaval and Marine Forces
28. Operational units
29. General Secretariat of the Navy
30. Naval Supply Bureua
31. Naval Finance Bureau
32. Naval Administrative Bureau
33. Naval Auditing Service
34. Naval General Documentation Service
35. General Bureau of Naval Ordnance
36. Brazilian Naval Commission in Europe
37. Naval Armament and Communications Bureau
38. Naval Engineering Bureau
39. Rio de Janeiro Naval Arsenal
40. Naval Aeronautics Bureau
41. Naval Civil Construction Works Bureau
42. Sao Paulo Naval Commission
43. Special Projects Steering Commission
44. Ships, troop units and backup establishments
45. Logistical backup units
46. General Bureau of Naval Personnel
47. Ministry of Navy personnel housing construction fund
48. Naval Instruction Bureau
49. Naval Military Personnel Bureau
50. Naval Health Bureau
51. Naval Civilian Personnel Bureau
52. Naval Social Assistance Service
53. Naval Sports Commission
54. General Bureau of Navigation
55. Hydrography and Navigation Bureau
56. Ports and Coasts Bureau
57. Subordinate units
58. Marine General Command
59. Marine Backup Command
60. Backup units of Marine Forces assigned to ground or naval type action and operations
61. This organizational table was supplied by the Brazilian Navy, relating to Decree 62 860/68 and including changes in Decree 85 924 of 22 April 1981.

2909
CSO: 3348/194

EMBRAER TO EXHIBIT AIRCRAFT AT PRC FAIR IN SHANGHAI

China Considered 'Ideal Partner'

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 19 Nov 85 p 2

[Text] Vale do Paraiba--Next March EMBRAER [Brazilian Aeronautics Company] will participate in the Aerospace Fair of China, to be held in Shanghai, as part of the Brazilian Government's effort to sell aircraft in that nation's market. One of the products to be exhibited will be the Tucano, a training aircraft for military pilots and EMBRAER's greatest sales success. The subsonic AMX bomber and some aircraft for the civilian market, such as the Brasilia and Bandeirante models, will also be shown there.

The People's Republic of China has always shown an interest in acquiring aircraft made by EMBRAER. Negotiations were begun in March 1979, when China's vice premier, Kang Shi'en, visited Brazil, and were continued with the visits to that country by the president of ENGESA [Specialized Engineers, Inc.], Jose Luis Whitaker, and the president of EMBRAER, Col Osires Silva.

The negotiations are being supported and encouraged by the Brazilian Government, which sees China as "the great market of the future": almost 1 billion inhabitants, the world's fifth largest economy in aggregate terms, as its Gross National Product (GNP) is close to the total for all the Latin American countries; and many important raw materials, such as petroleum and coal.

This image of an "ideal partner" is based upon two factors that the Brazilian Government considers indespensable: China does not have internal pressures that would cause it to create protectionist barriers in the future; and, especially, China has oil to sell to Brazil. China's heavy petroleum is similar to that of the Bahian Reconcavo, thus having no technological problems associated with refining.

Negotiations with China have been going on for over 6 years. But the Brazilian Government does not believe the delay will be harmful to the outcome. The Chinese are currently studying renovation of their air fleet, considered antiquated, especially in regard to aircraft for training military pilots.

In the 1950's, the Chinese imported the Lak-18A, a piston-type trainer of Soviet make, which later, and with its own design, evolved into the so-called Chugiao-6

(BT-6), over 2,000 units of which were produced and delivered starting in 1961, some of them exported to Bangladesh, North Korea, Vietnam and Zambia.

China still has industrial capacity for producing aircraft, but it is practically at a standstill, in view of its difficult relations with the Soviets.

Several Models Attract Interest

Rio de Janeiro O GLOBO in Portuguese 11 Nov 85 p 13

[Article by Pedro Paulo Rezende]

[Text] Brasilia--The Brazilian Air Force [FAB] will send a squadron of Tucano training aircraft to the People's Republic of China next month or in January. The group will conduct demonstrations in Shanghai and Beijing, where the Air Force of the People's Liberation Army [PLA] has its most important training units.

According to a diplomatic source, the measure will be taken at the request of the Brazilian Aeronautics Company (EMBRAER), which intends to export Tucanos to China, just as it has to a dozen other countries, including Great Britain, Egypt and Iraq.

The potential market for an aircraft of the Tucano category in the PRC is 2,000 units, which adds up to $1.5 billion (13 trillion cruzeiros). That is the number of aircraft of Soviet design, brought out in the 1950's, and used by the PLA Air Force for training its pilots.

The EMBRAER program would be carried out in three steps: the first calls for export of a number of aircraft, followed by assembly of Brazilian components in a factory to be constructed in China by the Brazilian firm. The last step would be construction of the Tucanos by the PRC, under license.

Besides being the best aircraft of its category on the international market, the Tucano has another attraction for the Chinese: it uses the best turbine available for turbo-props on the market, the PT-6, made by Pratt & Whitney of Canada.

China has already acquired a license for production of this motor, with the political support of the United States. And this would be an additional point for the Tucano, designed with this 750-hp engine in mind.

Moreover, the conditions offered by Brazil to Beijing are extremely favorable to development of that nation's aviation industry, and can open the way for future programs of collaboration. Of the EMBRAER line, the PRC is interested in two models: the Brasilia and the AMX.

The vast stretches of territory with deficient railway service, a characteristic of China, are favorable to air transport. The Brasilia, because of its performance, is an ideal alternative for covering short distances where there are many primitive landing fields, without land support.

The AMX would cover another PRC need: that of a fighter aircraft with modern technology. In technological terms, the PRC aviation industry is in the 1950's, although the quality craftsmanship of its products is recognized.

The fighter plane developed by the EMBRAER/Aeritalia/Aermacchi consortium is the fruit of the most modern Western technology--including large portions of structural elements in composition materials. For Beijing, it has another attraction: the engine.

China has a license for manufacturing the Rolls Royce Spey engine--the same one adopted for the AMX--which means one less item to be negotiated for domestic production.

There is a potential market of 500 aircraft in the AMX category, replacing an equal number of Soviet fighter-bombers of the 1950 decade, such as the old MiG-15 and MiG-17 of the Korean War, still used today by the PLA Air Force.

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CSO: 3342/33

FOURTH, LONGEST ANTARCTIC EXPEDITION TO BE LAUNCHED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 15 Nov 85 p 16

[Text] In its longest expedition to the Antarctic, the Brazilian ship "Barao de Teffe" leaves the port of Rio de Janeiro Monday, not to return until 5 months later, arriving 17 April. Meanwhile, the USP [Sao Paulo University] ship "Professor Wladimir Besnard" will leave the port of Santos on 13 January and will return on 12 March. Both ships will carry crews to perform various experiments. At the beginning of this year, official funds for this expedition had been denied, but eventually the federal and state governments recognized the importance of Brazil's participation in exploration of the Antarctic region, as it had done in the 3 previous years.

This time Brazil has more experience and some novelties. Planning for the Brazilian Antarctic Program provides for carrying out the Fourth Antarctic Operation during the next southern-hemisphere summer, which will include projects for the Life Sciences, Earth Sciences and Atmospheric Sciences subprograms, aboard ship and in land facilities. The Logistics Subprogram will involve expansion of the Brazilian "Commandante Ferraz" station to provide for permanent occupancy. The base is located on King George Island, right off the Antarctic Peninsula.

According to the plan, the Brazilian base will have a level of logistic self-sufficiency to remain in isolation for 1 year. With its geosciences, biology and atmospheric monitoring laboratories, it will support execution of 12 projects, with a total of 26 researchers alternating in two stages--one of 40 days and the other of 45 days--and an 8-person support group. During the winter there will be 11 crew members (4 researchers and 7 support persons) to carry out research projects (6 of the atmosphere and 1 of human biology).

As a special guest of the Brazilian Navy, part of the "Barao de Teffe" crew will be the solo seaman Amyr Klink, who will join the expedition only in the second part, traveling by air to the extreme tip of South America. In Amyr's opinion, this voyage is important for him to acquire knowledge to be used on another expedition to be conducted starting at the end of 1986: going to the Antarctic in an aluminum sailboat, with meteorologist Rubens Junqueira Villela, of the USP and O ESTADO DE SAO PAULO. Two months ago, Amyr published his new book, "One Hundred Days Between Sky and Sea," in which he narrates the crossing of the South Atlantic in a small rowboat and which for 8 weeks has been among the nation's nonfiction bestsellers.

Microcomputers

The Brazilian expedition will take microcomputers furnished by Scopus, which will be used for collection and processing of instrumentation data; editing of technical reports; monitoring of projects; managerial and administrative systems; statistical graphic systems; computer training; leisure and education. The microcomputers will be put on board the "Barao de Teffe" Monday and the informatics projects will be supervised by Isaac Chvaicer, analyst of the IPT [Institute of Technological Research] Department of Information and Systems, invited to join the expedition.

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CSO: 3342/35

PLANTING IN RIO GRANDE DO SUL SUSPENDED DUE TO DROUGHT

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 13 Nov 85 p 33

[Text] Porto Alegre--The dry spell in Rio Grande do Sul since last month became worse in the early days of November, affecting the major summer crops. Soybean planting, begun with a late start due to lack of rainfall, has been at a virtual standstill since the end of last week, and the same thing has occurred in the cases of rice and corn. But the situation is not yet considered serious because there is a possibility of planting without risk until the middle of December.

Soybeans should occupy 3,637,000 hectares in Rio Grande do Sul and their planting is being delayed by lack of moisture in the soil. Last month, for instance, it rained only 28.3 millimeters in Passo Fundo, compared with the 147 millimeters normal for the month. In Santa Maria and Sao Luiz Gonzaga, two other counties that are big producers, precipitation was about 10 percent of what would be normal for the month. According to a survey by EMATER/RS [Rio Grande do Sul Rural Extension and Technical Assistance Enterprise], only 25 percent of the soybeans have been sown so far, whereas last year the percentage reached 31 percent in the same period.

Eighty to 85 percent of the corn crop has been planted and its planting is likewise jeopardized by lack of rain. The drought is a threat mainly to the crops planted in August and now in the flowering stage, a critical period that requires a lot of moisture. Rice has been planted in 60 percent of the 710,000 hectares forecast. The lack of rain and the hot winds that help dry out the soil caused suspension of planting in practically all paddies, according to the president of the Federation of Rice Cooperatives, Homero Pegas Guimaraes. According to him, if this situation persists until the end of the week, the rice growers, in whose fields the crop is already at a growing stage, will be forced to resort to artificial irrigation--normally used for developing the plants.

In the first 10 days of this month, it rained only 3 percent of normal in Santa Maria, 0.4 percent in Bage, 1.6 percent in Sao Luiz Gonzaga and quite a bit more in Passo Fundo: 19 percent. Yesterday it rained again in some counties of the southeast mountain range and the central lowlands, and there is hope for more rain by the end of the week, as it is raining in northeast Argentina and in Uruguay. In any event, the situation is not yet considered critical, as there is still time to plant soybeans, rice and corn without risk. Aurelino Dutra Farias, of EMATER/RS, recalled that the peak of soybean planting occurs in the last 10 days of November. Homero Guimaraes, meanwhile, believes that rice can be planted until the middle of December, agreeing with the last week of November as the ideal period.

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CSO: 3342/34

BRIEFS

SUPPORT FOR QUADROS PRESIDENCY--Janio Quadros again in the presidency of the Republic! This is what the young supporters of the Sao Paulo mayor-elect are aiming at. The so-called Janist Youth is preparing the launching of the National Janist Youth Movement for 1 January, when Quadros will be installed. The aim of this movement, which will have branches in all states, is to work for the re-election of Janio Quadros as president of the Republic. The goals of this movement have been reported to the mayor-elect himself, and he has made no objection. /Text/ /Sao Paulo Radio Bandeirantes Network in Portuguese 0900 GMT 9 Dec 85 PY/ 12228

VW EXPORT GOAL--Volkswagen of Brazil wants to arrive at the end of this decade with average annual exports of over $1 billion, more than twice the $450 million forecast for 1985. That is the report of the firm's sales and marketing director, Admon Ganem, who will travel to his company's headquarters in Germany on 30 November, along with the president of the Brazilian subsidiary, Wolfgang Sauer, and the financial director, Jochen Prange. The objective of the trip is discussion of the details of the plan of investments to be made in Volkswagen of Brazil, amounting to $770 million in the next 5 years. Ganem, who returned from Germany recently, said yesterday that the price control exercised by the government--"which makes the profitability of the automobile industry very low"--continues to be the major stumbling block for the headquarters decision on the investments in Brazil. The sales director asserted further that the value of exports for this year could be $550 million, $100 million more than forecast, if the domestic market were not absorbing factory output to the point of preventing the losses caused by the metalworkers strike from being recovered. "In the case of Iraq alone, we were 5,000 units short of the 50,000 Passats we were to ship this year," he said. According to Admon Ganem, starting in 1987 Volkswagen of Brazil is to be exporting about $800 million, thanks to sales of the Voyage and Parati to the United States starting next year. "All these goals," the director cautioned, "still depend upon the negotiations in progress with the group's headquarters." [Excerpt] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 14 Nov 85 p 36] 8834

CSO: 3342/34

SIXTY PERCENT OF TOTAL EXPORTS GOING TO SIX COUNTRIES

Santiago EL EXPORTADOR in Spanish Nov 85 pp 10-12

[Text] Principal Trade Partners

Of the 49 countries listed on the analytic chart of Chilean exports shown in the center pages of this journal [not included], the United States, Japan, the Federal Republic of Germany, Brazil, the United Kingdom, and Italy were clearly the principal purchasers of Chilean products during the period from January through July of 1985: 60 percent of our total exports went to these six countries.

The table on the next page shows that the United States remained in first place, buying 24.6 percent of the total of Chilean sales abroad (US $553.9 million), even though this trade had declined by 17.6 percent in relation to the January-July period of 1984. Japan recovered second place--which it had held during all of 1984 through February 1985 (see EL EXPORTADOR, nos 10 and 12)--buying 9.7 percent of the total of Chile's exports (US $219.6 million) for the 7 months under discussion, even though its purchases had declined by 15.4 percent in comparison with the same period of 1984. The Federal Republic of Germany, which was second from March to June of this year, returned to third place, with imports amounting to US $208.7 million, representing 9.3 percent of Chile's export earnings. Brazil continued its steady rate of increase (eighth in January, seventh in February, sixth in March, and fifth in June (see earlier issues of EL EXPORTADOR). By the end of July, Brazil had reached fourth place--the same position it held in December 1984--with purchases totalling US $128.7 million (5.7 percent of Chile's exports for this 7-month period, which is 10.4 percent more than during the same period of 1984, when it was ranked fifth). The United Kingdom remained in fifth place--where it had been since February (see EL EXPORTADOR, no 12)--despite its purchases of US $124.2 million from Chile (5.5 percent more than in January-July 1984). The UK's purchases provided 5.5 percent of Chile's total export earnings during this period. The UK thus moved ahead, pushing Italy--which was fourth in the earlier ranking (EL EXPORTADOR, no 14)--to sixth place, despite its purchases of US $115.9 million, a 7.9 percent increase from the same period of 1984 (when it was also in sixth place), and representing 5.1 percent of Chile's total sales abroad.

The 25 Trade Partners

Place Jan-Jul 1985	Place Jan-Jul 1984	Country	Jan-Jul 1984	Jan-Jul 1985	Variation Jan-Jul 1985	Percentage of Total Exports
1	1	United States	672.0	553.9	-17.6%	24.6%
2	2	Japan	259.6	219.6	-15.4%	9.7%
3	3	FRG	212.6	208.7	- 1.8%	9.3%
4	5	Brazil	116.6	128.7	10.4%	5.7%
5	4	United Kingdom	117.7	124.2	5.5%	5.5%
6	6	Italy	108.3	115.9	7.9%	5.1%
7	8	Holland	73.1	100.3	37.2%	4.5%
8	7	France	95.1	78.3	-17.7%	3.5%
9	9	Peoples Repub. of China	71.3	71.4	0.1%	3.2%
10	12	Belgium	43.4	57.1	31.6%	2.5%
11	13	South Korea	36.2	50.7	40.1%	2.2%
12	10	Argentina	63.4	49.1	-22.6%	2.2%
13	11	Spain	43.7	42.0	- 3.9%	1.9%
14	22	Canada	15.2	35.8	135.5%	1.6%
15	14	Saudi Arabia	28.6	31.3	9.4%	1.4%
16	23	Sweden	9.5	30.5	221.1%	1.4%
17	18	Peru	23.5	29.8	26.8%	1.3%
18	25	Mexico	2.2	26.0	1081.8%	1.2%
19	16	Colombia	24.3	24.5	0.8%	1.1%
20	20	Ecuador	19.2	22.0	14.6%	1.0%
21	16	Venezuela	24.3	21.1	-13.2%	1.0%
22	19	German Democratic Rep.	22.7	18.9	-16.7%	1.0%
23	15	Taiwan	28.4	18.6	-34.5%	1.0%
24	24	South Africa	7.8	15.8	102.6%	1.0%
25	21	United Arab Emirates	18.1	14.3	-21.0%	1.0%
		Sub-totals	2136.8	2088.5		93.9%
		Other countries	164.3	165.2		6.1%

Holland

Holland held on to seventh place, which it reached last June (see EL EXPORTADOR, no 14) with imports from Chile of US $100.3 million, the equivalent of 4.5 percent of Chile's total exports; it had moved up in relation to January-July 1984, when it was in eighth place, with a 37.2 percent increase in its purchases in comparison with the earlier period. France remained in eighth place, as reported in the earlier issue of EL EXPORTADOR, with purchases of US $78.3 million, 3.5 percent of Chile's sales for that period. This is 17.7 percent less than in the same 7-month period of 1984, when it was ranked seventh.

In January-July 1985 ninth position was held by the Peoples Republic of China (which was also ninth in the same period of 1984), with purchases of Chilean products amounting to US $71.4 million, an increase of barely 0.1 percent in relation to the comparable 7-month period of 1984.

Belgium was 10th during this period, with purchases of US $57.1 million. This was a sizeable increase--31.6 percent--in relation to the same period of 1984 (when it was ranked 12th). South Korea was in 11th place, with US $50.7 million in imports from Chile during January-July 1985, an increase even larger than Belgium's, of 40.1 percent, compared with the first 7 months of 1984 (when it was ranked 13th). So these two countries moved ahead of Argentina--which in this period of 1984 had ranked 10th. During this period of 1985, Argentina was ranked 12th, with purchases of US $49.1 million from Chile. This is 22.6 percent less than the amount it had purchased during the same months of 1984.

Spain

Spain, which in January-July 1984 had been ranked 11th, slipped down to 13th place, with purchases of US $42 million from Chile, 3.9 percent less than in the same period of 1984.

It is interesting to note that these 13 countries which import our products are the same 13--although some are in different relative positions--which held the top 13 spots during both the first half of 1985, and at the end of 1984 (see EL EXPORTADOR, nos 10 and 14).

During the first 7 months of 1985, these first 13 countries provided Chile with nearly US $1.8 billion. This was 80 percent of Chile's foreign currency earnings from exports during this period, and all of them imported more than US $40 million each of Chilean products during the period under discussion.

A review of the table containing the ranking of the 25 leading purchasers of Chilean products during the first 7 months of 1985 shows that, of the remaining 12 countries (those which were not among the first 13), some increases of real interest did take place in 1984, in relation to the same period of 1984. They are listed in the next section.

Advances

Mexico moved up from 25th to 18th place, with an increase of US $23.8 million (1081.8 percent) in its imports from Chile; Sweden moved up from 23rd to 16th, with a 221.1 percent increase in its purchases from Chile (US $21 million more in the 7-month period); Canada moved from 22nd to 14th, with an increase of US $20.6 million (135.5 percent in relation to the same period of 1984); South Africa stayed in the same relative position (24th), but boosted its purchases by 102.6 percent (US $8 million);

Peru moved up from 18th to 17th position, increasing its purchases from Chile by US $6.3 million (26.8 percent); Saudi Arabia's relative position declined, from 14th during this period of 1984 to 15th in 1985, but its purchases actually increased by 9.4 percent (US $2.7 million); Ecuador remained in the same relative position (20th) but purchased US $2.8 million more (a 14.6 percent increase); and Colombia, while slipping from 16th to 19th position, purchased US $200,000 more than during the same period of 1984 (an 0.8 percent increase).

Declines

The major declines among this group of countries occurred in the following cases: Taiwan dropped from 15th to 23rd place; its purchases were down by 34.5 percent (-US $9.8 million); during this period it purchased Chilean goods amounting to a value of US $18.6 million. The German Democratic Republic slid from 19th to 22nd place; its purchases were down by US $3.8 million (-16.7 percent), though during this period it imported products from Chile amounting to a value of $18,9 million. The United Arab Emirates moved from 21st to 25th place, buying US $3,8 million less than in the same period of 1984 (-21 percent); and Venezuela slipped from 16th to 21st place, with US $3.2 million less in purchases (-13,2 percent).

The 25 countries listed in this ranking purchased 93.9 percent of the products Chile exported during this period.

In closing, we should mention that of the countries importing less than US $14 million from Chile during this period, the following cases are of interest: Greece increased its purchases from US $8.1 million during this period of 1984 to US $12.7 million in 1985 (a 56,8 percent rise); Uruguay, up from US $4.3 million (a 100 percent increase); Hong Kong increased its purchases from US $6 million to US $7,8 million (up 30 percent); Bolivia, up from US $5.6 million to US $6.7 million (a 19.6 percent increase); Paraguay increased from US $2.2 million to US $3.3 million (up 50 percent); and Oceania increased its purchases from Chile from US $2 million to US $2.9 million (up 45 percent during this period).

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CSO: 3348/184

RANKING OF 40 PRINCIPAL EXPORTS DURING FIRST HALF 1985

Santiago EL EXPORTADOR in Spanish Nov 85 pp 16-18

[Text] Copper, grapes, fish meal, cellulose, apples, nitrates and iodine, molybdenum oxide, lumber, metallic gold and metallic silver were the 10 leading exports from the period from January to June 1985, according to the latest export rankings, based on data from the Central Bank of Chile; the foreign sales of each of these products earned over US $38 million during this period.

The 40 products whose exports during the first half of this year topped US $3 million in earnings are shown in the listing provided in the table. All together, these 40 products earned US $1.8533 billion, which is 95.6 percent of the total of Chile's foreign currency earnings from its sales abroad during this period.

As was to be expected, copper was our leading export, earning US $839.8 million, the equivalent of 43.3 percent of Chile's exports during the 6 months under consideration.

Grapes were in second place, with earnings of US $189.1 million; this is 9.8 percent of our total export earnings, a 24.6 percent increase over the earnings of the first half of 1984.

Fish meal remained in third place, with sales abroad of US $115.5 million, 6 percent of Chile's total exports; this is a 4.1 percent increase from January-June 1984.

Cellulose, which in the previous ranking (see EL EXPORTADOR, no 14) had been down to fifth place, recovered its fourth-ranked spot (which it had held until March 1985), with exports of US $70.2 million--3.6 percent of the total during this 6-month period.

During the first 5 months of 1985 apples made a steady advance, moving up to fourth place in the ranking for May (see earlier issues of EL EXPORTADOR), then slipped to fifth place, with earnings of US $61.1 million (3.2 percent of the total reported in this period).

Ranking of Exported Products: First 6 Months of 1985

POSICION (A)	PRODUCTO (B)	(C)VALOR EN MILLONES US$
1	COBRE	839,8
2	UVAS	189,1
3	HARINA DE PESCADO	115,5
4	CELULOSA	70,2
5	MANZANAS	61,1
6	SALITRE Y YODO	49,1
7	OXIDO DE MOLIBDENO	45,3
8	PINO INSIGNE	45,1
9	ORO METALICO	42,8
10	PLATA METALICA	38,8
11	HIERRO (a granel y peletizado)	33,7
12	MINERAL DE ORO Y PLATA	29,7
13	PAPEL	24,3
14	PETROLEO Y DERIVADOS	23,0
15	ACEITE DE PESCADO	21,0
16	DURAZNOS Y NECTARINES	20,4
17	MINERAL DE MOLIBDENO	18,9
18	PESCADO FRESCO	17,5
19	MARISCOS CONGELADOS	15,0
20	CONSERVAS DE CRUSTACEOS, MOLUSCOS Y PESCADOS	14,9
21	CIRUELAS	12,5
22	HIERRO Y ACERO	12,0
23	CONSERVAS DE FRUTAS Y LEGUMBRES	11,4
24	PERAS	11,4
25	ALGAS	11,0
26	LANA DE OVEJA	9,4
27	COBRE SEMI-ELABORADO	9,0
28	LENTEJAS	6,9
29	SEMILLAS, FIBRAS Y OTROS	6,4
30	CARTULINA	5,8
31	AGAR-AGAR	5,1
32	ORGANOS PARA TRANSMISION DE VEHICULOS	5,0
33	FERROMOLIBDENO	4,8
34	FRUTAS SECAS	4,6
35	CEBADA MALTEADA	4,5
36	FREJOLES	4,1
37	CARBONATO DE LITIO	3,9
38	VINO A GRANEL Y EMBOTELLADO	3,8
39	CEBOLLAS Y AJOS	3,3
40	ARTICULOS IMPRESOS	3,2
	SUB-TOTAL	1.853,3
	Demás Productos (D)	85,9
	TOTAL GENERAL (E)	1.939,2

Los productos considerados en el presente ranking representan el 95,6% de las exportaciones totales.

Fuente: "Indicadores de Comercio Exterior" Banco Central. (F)

Key for Table on preceding page:

A. Position
B. Product
C. Value in millions of US$
D. Other products
E. General total
F. The products considered in this ranking provide 95.6 percent of total exports. Source; the Central Bank's "Foreign Trade Indicators."

1. copper
2. grapes
3. fish meal
4. cellulose
5. apples
6. nitrates and iodine
7. molybdenum oxide
8. lumber
9. metallic gold
10. metallic silver
11. iron in bulk and in pellet form
12. gold and silver ore
13. paper
14. petroleum and petroleum byproducts
15. fish oil
16. peaches and nectarines
17. molybdenum ore
18. fresh fish
19. frozen fish
20. canned shellfish, mollusks, and fish
21. plums
22. iron and steel
23. canned fruits and vegetables
24. pears
25. seaweed
26. sheep wool
27. semi-processed copper
28. lentils
29. seeds, fibers, and others
30. cardboard and bristol board
31. agar-agar
32. parts for vehicle transmissions
33. ferromolybdenum
34. dried fruits
35. malted barley
36. stringbeans
37. lithium carbonate
38. bulk and bottled wine
39. onions and garlic
40. printed matter

Nitrates and iodine remained in sixth place, with sales abroad totalling US $49.1 million--2.5 percent of the total exported. This is a 15.1 percent growth in comparison with January-June of 1984.

Molybdenum oxide, which earlier this year had been in 10th, ninth, and seventh places, during the period under discussion remained in seventh place, with exports amounting to US $45.3 million--2.3 percent of the total sold abroad.

Lumber, which in the earlier ranking was 10th, moved up to eighth, with earnings of US $45.1 million--2.3 percent of the total, placing it ahead of both metallic gold, which had been eighth and then slipped to ninth--with $42.8 million in earnings (2.2 percent of the total)--and iron, which had been in ninth position, and moved down to 11th, with exports of US $33.7 million (1.7 percent of the total).

Metallic silver, which had been in 11th place, moved up to 10th with sales abroad of US $38.8 million--2 percent of Chile's total exports during this period.

We should point out that during the period being discussed, the first 10 products listed provided 77.2 percent of Chile's total export earnings--US $1.4968 billion.

Iron

The following products earned over US $12 million in exports: iron (both in bulk and in pellet form), which has already been mentioned (11th); gold and silver ore (12th), with exports of US $29.7 million; paper (13th) earned US $24.3 million; petroleum and petroleum byproducts (14th), with sales totalling US $23 million; fish oil (15th), with exports valued at US $21 million; peaches and nectarines (16th), valued at US $20.4 million; molybdenum ore (17th), with exports of US $18.9 million; fresh fish (18th), with sales amounting to US $17.5 million; frozen shellfish (19th), with sales of US $15 million; canned shellfish, mollusks, and fish (20th), with sales of US $14.9 million; plums (21st), with earnings of US $12.5 million; and iron and steel (22nd), with earnings of US $12 million.

Among the products which moved up in this ranking, compared with the statistics published in EL EXPORTADOR no 14, in addition to those already mentioned (cellulose, lumber, and metallic silver), we should note the following: paper moved from 15th to 13th place (with a 38.1 percent rise in exports over the first half of 1984); fish oil moved from 16th to 15th (a 71.3 percent increase in relation to January-June 1984); frozen shellfish moved from 22nd to 19th place; canned shellfish, mollusks, and fish rose from 24th to 20th, a 26.3 percent increase compared with January-June 1984; canned fruits and vegetables moved up from 25th to 23rd (in the earlier ranking, they had risen from 28th to 25th, and before that, from 34th to 28th, and from 36th to 34th; sales of this item increased by 52 percent in relation to the same period of 1984. Cardboard and bristol board moved from 34th to 30th place; agar-agar from 32nd to 31st (a 41,7 percent increase from the first half of 1984); dried fruits moved up from 38th to 34th (before this, this item had shifted from 34th to 38th), with a 53.3 percent increase in sales in relation to 1984; and stringbeans, which were not included in the earlier ranking (of the top 40) moved into 36th place.

Products maintaining the same relative position in the ranking, in addition to copper (first), grapes (second), fish meal (third), nitrates and iodine (sixth), and molybdenum oxide (seventh)--mentioned earlier in this report--were: gold and silver ore (12th); petroleum and petroleum byproducts (14th); fresh fish (18th), even though it earned 63.6 percent more than in the same period of 1984; sheep wool (26th); lentils (28th), despite a 527.3 percent rise over the first half of 1984; and seeds, fibers, and others (29th), whose export earnings also rose significantly (42.2 percent).

Peaches

The following products moved down in the ranking, in addition to apples and metallic gold, which have already been listed: iron in bulk and in pellet form, moving from 9th to 11th; peaches and nectarines, from 13th to 16th, even with their 80.5 percent increase in sales from January-June 1984; molybdenum ore, from 16th to 17th; plums from 19th to 21st (earlier, their ranking had dropped from 14th to 19th, and from 11th to 14th), even though their earnings increased by 60.3 percent; iron and steel, from 20th to 22nd; pears, from 21st to 24th (earlier their ranking had slipped from 19th to 21st), even though their sales abroad rose by 6.5 percent; seaweed, down from 23rd to 25th (earlier its ranking had declined from 20th to 23rd, and from 18th to 20th), even with a 12.2 percent increase in earnings over January-June 1984; semi-processed copper, from 26th to 27th (in the earlier ranking it had slid from 24th to 26th, and before that, from 21st to 24th); vehicle transmission parts, from 31st to 32nd; ferromolybdenum, down from 30th to 33rd (earlier it had dropped from 26th place to 30th, and from 23rd to 26th), despite its 6.7 percent increase in exports from the same period of 1984; malted barley, from 33rd to 35th (earlier it had moved from 29th to 33rd, and from 22nd to 29th); lithium carbonate, from 35th to 37th); bulk and bottled wine, down from 36th to 38th; onions and garlic, from 36th to 39th (earlier onions and garlic had slipped from 35th to 36th); and printed matter, from 39th to 40th (earlier this item had moved from 38th to 39th, and from 36th to 38th), even though its export revenue during this period had increased 28 percent in relation to the first half of 1984.

Finally, we should point out that, among Chile's top 40 exports, six are from the mining sector (copper, nitrates and iodine, metallic silver, iron in bulk or in pellet form, gold and silver ore, and molybdenum ore); these products provided 52.1 percent of all of Chile's exports in value (US $1.01 billion); 12 products were from agriculture and from the sea (grapes, apples, peaches and nectarines, fresh fish, plums, pears, seaweed, wool, lentils, seeds, fibers, and others, stringbeans, and onions and garlic). These items provided 18.2 percent of all Chile's sales abroad (US $353.1 million). 22 products came from the industrial sector, which produced 25.4 percent of our exports during this period (US $490.2 million). Within this sector, seven came from the subsector of food and beverage industries (fish meal, frozen shellfish, canned fish and shellfish, canned fruits and vegetables, dried fruits, malted barley, and bulk and bottled wine), providing 8.8 percent of total exports; five came from the subsector of basic metal industries (molybdenum oxide, metallic gold, iron and steel, semi-processed copper, and ferromolybdenum), with 5.9 percent; four from the subsector of paper, cellulose and byproducts (cellulose, paper, cardboard and bristol board, and printed matter), providing 5.3 percent of export earnings; four from the chemical products and petroleum byproducts subsector (petroleum and its byproducts, fish oil, agar-agar, and lithium carbonate), with 2.7 percent; one from the wood subsector (lumber), with 2.3 percent; and one from the transport materials subsector (transmission parts for vehicles), providing 0.3 percent of our exports.

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CSO: 3348/184

MINING SECTOR ACCOUNTS FOR 54 PERCENT OF TOTAL EXPORTS

Santiago EL EXPORTADOR in Spanish Nov 85 pp 23-27

[Text] Chilean exports during the period between July 1984 and June 1985 amounted to over US $3.565 billion, according to the latest records provided by the Central Bank; the amount for the 12-month period ending in May 1985 was a decline of US $56.9 million, as reported in the last issue of EL EXPORTADOR.

The mining sector continued to provide most of Chile's exports, with 54.3 percent of its total exports during the past 12 months (see chart). The sector of agriculture and products from the sea has been improving its relative position, providing 12.9 percent of Chile's sales abroad during this period, while the industrial sector remained at levels close to 33 percent; the earnings of both of these sectors were better than a year ago, especially for the agricultural and sea products sector.

Comparison of June with May

Based on an analysis of exports, comparing solely the months of June and May 1985, we find that total revenue declined by US $59.6 million (-17.8 percent). This was a result of the substantial decline in the mining sector, down US $60.5 million (-27.5 percent) and in agricultural and sea products, amounting to US $12.6 million (-34.5 percent)--caused by the seasonal nature of its major exports; and despite the revenue increase in the industrial sector of US $13.5 million (30 percent)--caused by increases in the quantities exported and/or a certain amount of price recovery.

The decline in mining sector exports occurred as a result of decreases in copper revenues (27.4 percent, and -US $50,9 million); in iron revenues (-90.3 percent and -US $11.2 million); and in earnings of other minerals, as shown in the chart (-27.3 percent and -US $4.1 million); however, there were increased earnings from metallic silver (70.5 percent and US $3.1 million) and from nitrates and iodine (up 38.8 percent and US $1.9 million).

The decline in the agricultural and sea products sector came as a result of decreases in the agricultural products subsector (-49.4 percent and -US $15.5

million); forestry products, however, remained at the same level (with US $100,000 in earnings during the month), and the livestock products subsector increased (up 55 percent and US $1.1 million), along with the fishing subsector (with US $1.8 million in increased revenues (60 percent more).

The growth in the industrial sector's earnings last June, in relation to May, came as a result of increases in the following subsectors: paper, cellulose and byproducts (102.4 percent and US $12.8 million); chemical products and petroleum byproducts (72 percent and US $5.9 million); and foods and beverages (9.6 percent and US $2.4 million). However, the basic metal industries subsector remained at its previous level (US $15.1 million). There were lowered export revenues in the following subsectors: wood (-33.6 percent and -US $4.1 million); and metal products, machinery, and electrical appliances, and transport equipment and miscellaneous manufactured goods (-58.3 percent and -US $3.5 million combined, during this month).

Comparison Between the Last 12 Months and the Preceding 12-Month Period

A comparison of foreign sales during the 12-month period from July 1984 to June 1985 with the 12 months ending in May (see EL EXPORTADOR no 14) shows the following variations of interest:

a. A 1.6 percent decline in total exports; this amounts to US $56.9 million less in earnings from sales abroad.

b. A 1.6 percent decline in earnings from mining sector exports (-US $30.7 million), caused primarily by decreases of: 1.4 percent in copper (-US $22.6 million), 9.1 percent in iron (-US $9 million); and 1 percent in other minerals, as shown in the chart (-US $1.1 million). There was a growth of 2.4 percent in nitrates and iodine (US $1.9 million); and 0.1 percent in metallic silver (US $100,000).

c. A 1.6 percent decline, with decreased revenues of US $18.9 million, in sales abroad by the industrial sector, as a result of declines in the following subsectors: basic metal industries (-5.4 percent and -US $13.1 million); foods and beverages (-1.7 percent and -US $7.4 million); metal products, machinery, and electrical appliances, and transport equipment and miscellaneous manufactured goods (-7.1 percent and -US $3.7 million, combined); and wood (-1.6 percent and -US $1.8 million). There were, however, increases in the subsectors of chemical products and petroleum byproducts (3.1 percent and US $3.7 million), and paper (1.5 percent and US $3.4 million).

d. A decline in revenue for exports from the sector of agriculture and products from the sea of US $7.3 million (-1.6 percent) during the 12-month period under discussion, as a result of reduced earnings in the following subsectors: agricultural products (-1.9 percent and -US $7.3 million); and fishing (-3.5 percent and -US $2.2 million). There were advances in the subsectors of livestock products (10.3 percent and US $2.1 million); and forestry products (6.3 percent and US $100,000 more).

Comparison Between the First Half of 1985 and January-June 1984

A comparison between the first 6 months of this year and the same period of 1984 reflects a 4.5 percent decline in revenues from Chilean exports, despite increases in foreign sales of many products, especially in the agricultural, livestock, forestry, fishing, processed food, and chemical subsectors. This situation was caused primarily by declines in the international prices of the majority of products, as well as by declines in shipments of the majority of mining sector products and of products from some industrial subsectors. Nonetheless, it is important to point out the increased earnings of exports from the agricultural, forestry, fishing, processed food and beverages, and chemical products and petroleum byproducts subsectors, of 10.2 percent, 14.3 percent, 39.4 percent, 3.2 percent, 8.8 percent, and 1.4 percent, respectively, in relation to the same period of 1984.

Mining Products

The 4.4 percent decline in earnings in the mining sector from January through June of 1985, compared with the same period of 1984, is a result of price declines of various products in this sector. For example, in iron in bulk and in pelletized form, there was a 38.2 percent decline, which translates to US $20.7 million less; in gold and silver ore, there was a 36.7 percent decline (US $17.2 million less); in metallic silver. there was a 17.3 percent decline (US $7.9 million less), even though the quantity exported increased by 6.7 percent; in copper, an 0.8 percent decline (US $6.7 million less), even though the quantity exported increased by 5.5 percent; in molybdenum ore, an 11.7 percent decrease (US $2.5 million less); and in barite, a 30.8 percent decline (US $400,000 less). However, during the same period, there was some interesting growth in nitrates and iodine exports, amounting to 15.3 percent in dollars (21.2 percent more in quantity and US $6.5 million in increased earnings); and in unclassified mining products, there was an 18.6 percent increase (US $1.8 million more).

Agricultural Products

The expansion observed in the agricultural and sea products sector, with a 9.3 percent growth rate in relation to exports between January and June 1984 and increased earnings of US $32.5 million during this period, is due primarily to growth in the sales of agricultural, forestry, and fishing products.

Exports by Sectors: July 1984 -- June 1985 (in thousands of US $)

MESES (4)	SECTOR MINERO (1)						SECTOR INDUSTRIAL (2)							SECTOR AGROPECUARIO Y DEL MAR (3)					TOTAL (33) EXPORT. CHILENAS
	COBRE (18)	HIERRO (19)	SALITRE Y YODO (20)	PLATA METAL (21)	OTROS (1) (22)	TOTAL SECT. (23)	ALIMEN. Y BEB. (24)	IND.MET. BASICAS (25)	PAPEL (2) (26)	MADERA (27)	PRODUC. QUIM(3) (28)	OTROS (4) (22)	TOTAL SECT. (23)	PRODUC. AGRIC. (29)	PRODUC. PECUA. (30)	PROD. FORS. (31)	PESCA (32)	TOTAL SEC. (23)	
(5) JULIO	101.200	10.800	2.000	6.100	10.500	130.600	46.100	20.900	21.700	7.700	16.700	5.000	116.100	17.800	800	200	2.600	21.400	270.100
(6) AGOSTO	138.400	3.000	7.000	5.600	9.900	163.900	34.400	19.200	17.700	12.300	7.600	7.100	98.300	8.100	500	100	7.400	16.100	278.300
(7) SEPT.	127.500	10.300	3.200	7.100	2.700	150.800	46.200	21.800	30.500	5.600	8.400	3.700	115.700	1.300	500	100	5.600	7.500	274.000
OCT. (8)	118.300	7.800	2.000	7.000	8.100	144.000	44.700	19.000	12.800	13.500	7.300	5.400	102.200	1.900	1.200	200	2.300	5.600	251.800
NOV. (9)	132.800	13.100	10.100	7.900	5.200	169.100	39.000	20.900	20.700	8.000	7.400	4.200	100.200	3.300	1.000	200	7.300	11.800	281.100
DIC. (10)	121.900	11.100	6.700	7.600	8.100	155.600	38.600	12.100	23.400	7.700	12.400	4.600	98.800	9.600	1.000	100	5.800	16.500	270. 00
(11) ENERO	[illegible]	[illegible]	[illegible]	6.700	11.500	160.300	26.200	26.200	18.700	5.700	8.100	2.700	87.600	[illegible].200	1.100	200	7.700	45.200	250.100
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	131.200	30.300	16.600	12.300	8.600	8.100	1.600	77.700	[illegible].700	2.000	300	5.700	5[illegible].400	260.300
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	181.200	34.400	15.900	20.000	10.200	2.700	2.200	90.400	[illegible]	[illegible]	100	[illegible].700	112.800	384.700
ABRIL 15	[illegible]	[illegible]	5.900	6.200	8.500	169.200	34.300	25.800	16.700	9.200	16.700	3.900	108.600	[illegible].400	[illegible]	100	[illegible]	104.100	301.900
MAYO 16	[illegible].300	[illegible]	4.900	4.400	15.000	220.000	25.100	15.100	12.500	12.200	8.200	6.000	79.100	[illegible].400	[illegible]	100	[illegible]	36.500	335.600
JUNIO 17	[illegible]	[illegible]	6.800	7.500	10.500	159.500	27.500	15.100	25.300	8.100	14.100	2.500	92.600	[illegible]	[illegible]	100	[illegible]	23.900	278.000
TOTALES (34) ULTIMOS 12 MESES	1.579.900 12 MESES (35)	[illegible].800	80.900	[illegible]0.300	104.500	1.935.400	426.300	228.600	232.300	106.800	124.700	48.600	1.169.300	[illegible]76.500	22.400	1.700	60.000	460.600	3.565.300

Key for chart on preceding page:

1. Mining sector
2. Industrial sector
3. Agricultural, livestock, and products from the sea sector
4. Months
5. July
6. August
7. September
8. October
9. November
10. December
11. January
13. February
14. March
15. April
16. May
17. June
18. Copper
19. Iron
20. Nitrates and iodine
21. Metallic silver
22. Others [1] and [4]
23. Total for this sector
24. Foods and beverages
25. Basic metal industries
26. Paper [2]
27. Wood
28. Chemical products [3]
29. Agricultural products
30. Livestock products
31. Forestry products
32. Fishing products
33. Total Chilean exports
34. Total for last 12 months
35. 12 months

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[1] Includes: precious metals, mining residues, etc.

[2] Includes: paper, cellulose and byproducts

[3] Includes: chemical products and petroleum byproducts

[4] Includes: "Metal products, machinery, and electrical appliances subsector" and "Transport equipment and miscellaneous manufactured goods subsector"

Source: "Foreign Trade Indicators," Central Bank.

For example, combined fresh fruit sales provided increased earnings of US $32.2 million during this 6-month period. Particularly noteworthy were: grapes (with total exports of US $189.1 million during this period and increases of 28 percent in quantity and 25 percent in dollars, US $37.3 million more); plums (with sales of US $12.5 million and increases of 93 percent in quantity and 60 percent in dollars, US $4.7 million more); nectarines (with sales of US $15.7 million and increases of 58 percent in quantity and 39 percent in dollars, US $4.4 million more); peaches (with sales of US $4.6 million and increases of 30 percent in quantity and 39 percent in dollars, US $1.3 million more); nuts (with sales of US $1.2 million and increases of 133 percent in quantity and 200 percent in dollars, US $800,000 more); pears (with foreign sales of US $11.4 million and increases of 10 percent in quantity and 7 percent in dollars, US $700,000 more); fresh berries (with sales of US $600,000 and increases of 31 percent in quantity and 50 percent in dollars, US $200,000 more); almonds (with sales of US $400,000 and increases of 1 percent in quantity and 33 percent in dollars, US $100,000 more); and lemons (with increases of 1411 percent in quantity and 100 percent in dollars, US $100,000 more). This situation occurred despite decreases in exports of apples (with foreign sales of US $61.1 million and decreases of 3 percent in quantity and 22 percent in dollars, down US $17.4 million); and of melons (with sales of US $1.8 million and decreases of 42 percent in quantity and 33 percent in dollars, down US $900,000).

Other agricultural products whose exports increased substantially were: lentils (605 percent in quantity, 527 percent in dollars, and exports of US $6.9 million during the 6-month period, which is US $5.8 million more); garbanzo beans (chickpeas) (a 746 percent increase in quantity, 650 percent in dollars, and sales of US $1.5 million, which is US $1.3 million more); tobacco in stalks (2150 percent in quantity and increased earnings of US $2.5 million--there were no earnings from this product during the first half of 1984); vegetable seeds (46 percent in quantity, 48 percent in dollars, and earnings of US $5.9 million in this 6-month period, which is US $1.9 million more); and dehydrated vegetables (this item, although declining by 41 percent in quantity, increased 42 percent in dollars earned, and produced revenues of US $1.7 million, which is US $500,000 more).

This growth in agricultural exports occurred despite the lack of earnings--unlike the same period of 1984--in the following products: barley used for brewing beer (US $1.8 million in reduced revenue); asparagus (US $300,000 less); and seeds for fields and meadows (US $200,000 less). There were also declines in sales of the following items: stringbeans (-35 percent in quantity, -41 percent in dollars, and US $2.9 million less); onions (-38 percent in quantity, -48 percent in dollars, and down US $2.8 million); dried alfalfa and alfalfa pellets (-6 percent in quantity, -26 percent in dollars, and US $500,000 less); sugarless frozen strawberries (-68 percent in quantity, -75 percent in dollars, and US $600,000 less); and cherries treated with sulfur dioxide (-26 percent in quantity, -40 percent in dollars, and US $200,000 less), in addition to the declines already reported for apples and melons. Export earnings during this period remained at the same levels for oregano, cherries, garlic, and pickled olives--US $400,000, US $200,000 US $100,000, and US $100,000, respectively.

The same thing happened with exports from the subsector of unclassified products, whose sales abroad declined by US $3.1 million (-29 percent), in comparison with the same period of 1984.

Livestock and Meat Products

Sales from the subsector of livestock products did not contribute to the agricultural sector's expansion: combined sales from this subsector were down by 27.9 percent in this 6-month period in relation to the same months of the previous year. This amounted to US $6.7 million in reduced revenues. For example, unwashed sheep wool, which had exports of US $9 million, declined by 32 percent in quantity and 42 percent in earnings (-US $6.6 million); unclassified products, with sales of US $1.7 million, declined by 59 percent in dollars (-US $2.4 million); untanned sheepskins with their wool, with exports of US $500,000, declined by 28 percent in quantity and 29 percent in dollars, with reduced earnings of US $200,000; live horses, with sales of US $400,000 during the period under consideration, declined by 5 percent in quantity and 20 percent in dollars (-US $100,000); and salted horse, sheep, cattle, and pork intestines, with export earnings of US $200,000, declined by 48 percent in quantity, 33 percent in dollars, and earned US $100,000 less during this period.

However, the following products reported increased sales abroad: uncarded and uncombed skins of rabbits and hares--the big new item in exports--up 280 percent in quantity, and 700 percent in dollars, with earnings up by US $1.4 million; bee honey, up 70 percent in quantity and 56 percent in dollars, with higher earnings of US $500,000; untanned goatskins, up 117 percent in quantity and 75 percent in dollars, with higher earnings of US $300,000; untanned cowhides, up 0.2 percent in quantity and 10 percent in dollars, with earnings up US $100,000; beeswax, up 4 percent in quantity and 17 percent in dollars, with increased earnings of US $100,000; and washed sheep wool, up 126 percent in quantity and US $100,000 in earnings (during the first half of 1984, no earnings were reported for this item).

Forestry Products

The forestry subsector was in a better position. It earned US $800,000 during the first 6 months of 1985, up 14 percent from the same period of 1984. Bark exports reported earnings of US $400,000, 100 percent more than during the same period of 1984, with an 85 percent increase in quantity; dried mushrooms, though, had lower earnings (down by US $100,000,-20 percent), despite a 23 percent increase in the quantity exported.

Fishing

As stated earlier, the subsector of products from the sea certainly had a noteworthy impact on the growth of exports from the sector of products from agriculture and from the sea. Among the items responsible for this expansion were: fish, with an increase of 25 percent in quantity and 64 percent in dollars (and total earnings of US $17.5 million, US $6.8 million more than in January-June 1984); seaweed, with a 12 percent increase in dollars, despite a 2 percent decline in quantity, with earnings of US $11 million, which is US $1.2 million more than in January-June 1984; and unclassified products from the sea, with a 67 percent increase in dollars (and total earnings of US $500,000, which is US $200,000 more than in 1984). During this 6-month period, this subsector earned $29 million in export revenue for Chile, increasing its sales by US $8.2 million over the same period of 1984. This is a 39 percent increase.

Industrial Sector

In the industrial sector, whose exports from January through June 1984 totalled US $536 million, there was a 12.6 percent decline (-US $77.3 million) in relation to the comparable 6-month period of 1984. This was a result of lower earnings in the following subsectors: paper, cellulose, and byproducts, which earned US $27.1 million less (-20.4 percent); transport equipment, which earned US $25.4 million less (-76 percent); basic metal industries, which earned US $15.8 million less (-12.1 percent); wood products, which earned US $7.5 million less (-12.2 percent); metal products, machinery, and electrical appliances, US $4.3 million less (-41.7 percent); and miscellaneous manufactured goods, US $4.1 million less (-44.6 percent). There were, however, increases in the following subsectors: food products generated US $5.4 million in increased earnings (3.2 percent more); beverages, which generated US $400,000 more (8.8 percent); and chemical products and petroleum byproducts, which generated US $900,000 more (1.4 percent).

Paper, Cellulose, and Byproducts

The paper, cellulose, and byproducts subsector (which had sales of US $105.5 million during this 6-month period), declined by 20.45 percent because of reduced exports of the following products: crude cellulose (-19 percent in quantity, -39 percent in dollars, and US $16.4 million less in revenue); bleached and semibleached cellulose (-7 percent in quantity, -26 percent in dollars, and US $15.6 million in lowered earnings; computer paper (-16 percent in quantity, -15 percent in dollars, and US $1 million in lower earnings; and unclassified products (-13 percent in dollars and US $800,000 in lowered earnings). There was, however a notable increase in sales of paper used for newsprint, up 16 percent in quantity, 38 percent in dollars, and US $6.7 million in higher earnings.

Transport Equipment

In the transport equipment subsector, with total earnings of US $8 million during January-June 1985 (-76 percent), no aircraft were exported during 1985, as there had been in 1984; this meant that revenue was reduced by US $14.1 million; unclassified products declined by 95 percent, which meant a drop of US $10.3 million in revenue; and in transmission parts for vehicles--this item provides the largest number of Chile's exports from this subsector (US $5 million)--there was a 27 percent decline in dollars, and US $1.8 million in lowered earnings.

However, there was a 50 percent increase in boat sales, with exports of US $2.4 million; this is US $800,000 in increased revenue in relation to the comparable period of 1984.

Basic Metal Industries

During this quarter, there was a decline in sales abroad by the subsector which, after food products, earns the largest amount of revenue in the industrial sector; basic metal industries. During the first half of this year, its sales earned US $114.6 million, 12.1 percent less than in January-June of 1984. There were declines in exports of the following products: molybdenum oxide (-20 percent in quantity, -20 percent in dollars, and US $11.6 million in reduced earnings); ferromolybdenum (-85 percent in quantity, -91 percent in dollars, and US $4.1 million in reduced revenues); copper rods and sections (-26 percent in quantity, -31 percent in dollars, and US $2.8 million less in revenue); metallic gold (-5 percent in dollars and US $2.2 million less in revenue, even though there was a 16 percent increase in the quantity exported); copper wire (-98 percent in quantity, with no earnings reported in dollars, and therefore, US $1.6 million in reduced revenue); steel billets (-12 percent in quantity, -10 percent in dollars, and US $400,000 less in revenue); thick copper plate (-17 percent in quantity, -8 percent in dollars, and US $100,000 less in revenue); thin copper plate, though, kept its sales at a level of $100,000, even with a 22 percent increase in the quantity exported.

On the other hand, the following products from this subsector had increased sales: unclassified products (150 percent in dollars and US $6 million in higher earnings); copper pipes (84 percent in quantity, 89 percent in dollars, and US $800,000 more in revenue); steel plate (up 2 percent in quantity, 3 percent in dollars, and US $100,000 in added revenue); and scrap iron (up 11256 percent in quantity, with earnings of US $100,000--during 1984, there were no export earnings reported for this item).

Wood Products

Another subsector in the industrial sector, wood products, also reported lower export earnings in January-June 1985 in relation to the comparable period of last year. This decline was caused by reductions in sales abroad of coniferous lumber products (-24 percent in quantity, -31 percent in dollars, and earnings down by US $11.5 million); and construction planks (-27 percent in quantity, -33 percent in dollars, and earnings reduced by US $1.2 million). However, coniferous pieces and chunks sales increased by 43 percent in quantity and 28 percent in dollars (with higher earnings of US $4.2 million). There were also higher sales reported for miscellaneous wood products (up 23 percent in dollars, with higher earnings amounting to US $1 million).

Metal Products, Machinery, and Electrical Appliances

The 41.7 percent decline in the metal, machinery, and electrical appliances subsector--despite its earnings of US $6 million during this 6-month period--is a result of a drop in exports of the majority of this subsector's products: blank coins (-71 percent in quantity, -72 percent in dollars, and -US $2.3 million in lower earnings); coins (with no sales abroad during this period, and therefore, down US $400,000 in revenue); bare copper cables (-99 percent in quantity, and with no export earnings during this period, and therefore US $1.3 million less); copper-lined cables (with no exports, and therefore down -US $300,000 in earnings); and miscellaneous unclassified itmes from this subsector (-2 percent in dollars and therefore US $100,000 less).

But on the other hand, steel cables continued to increase their sales abroad, up 39 percent in quantity and 505 percent in dollars, bringing in US $100,000 more than during the same period of 1984.

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CSO: 3348/184

NATIONS REQUESTING NEW EXPORTS

Santiago EL EXPORTADOR in Spanish Nov 85 p 34

[Text] New products requested by foreign countries:

Product requested		Country requesting
Garlic powder	(NAB 01) [unknown reference]	England
Dried sharkfin	(NAB 03)	France
Rugs	(NAB 58)	United States
Rugs and carpets with loose or bound pile ends	(NAB 58)	Italy
Basketry items (baskets, handbags, breadbaskets, etc.) made of wicker and/or miscellaneous natural fibers	(NAB 46)	Federal Republic of Germany
Woodwork items (doors)	(NAB 44)	England
Containers made of ground seashells	(NAB 03)	Japan
"Rosa Mosqueta" bark	(NAB 08)	England
Onion powder	(NAB 07)	England
Handknitted woolen pullovers and vests	(NAB 53)	United States
Frozen horse hearts	(NAB 02)	Japan
Sunflower seed flour	(NAB 12)	Indonesia
Boldo leaves	(NAB 12)	Uruguay
Oregano leaves	(NAB 12)	England
Fresh kiwi fruit	(NAB 08)	England
Hares	(NAB 01)	England
Malt	(NAB 11)	South Korea
Outdoor furniture	(NAB 94)	Hong Kong
Vulcanized rubber tires for heavy machinery	(NAB 40)	Venezuela
Pancreatin from hog pancreas	(NAB 35)	Japan
Scrap paper	(NAB 47)	Federal Republic of Germany

Raisins from seedless grapes	(NAB 08)	Uruguay
Aquarium fish	(NAB 03)	France
Live partridges	(NAB 01)	Colombia

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CSO: 3348/184

AUSTRIA DENIES EXTRADITION OF ECONOMIST

PA130425 Bogota EL TIEMPO in Spanish 7 Dec 85 p 8-A

[Text] Colombia's legal options have run out regarding its request to the Austrian Government for the extradition of economist Roberto Soto Prieto who is charged with having stolen $13.5 million.

On Thursday Austria's Supreme Judicial Court held a special session to rule on the Soto Prieto case following an extradition request submitted by the Colombian Government.

The prosecutor representing the Colombian Government opened the session. He closed his case by asking the court to grant the extradition in order that Soto Prieto stand trial in Colombia.

Soto Prieto's attorney based his case on the defects in Colombia's judicial system, particularly on the lack of guarantees his client would have in the event he stood trial in his country.

Various incidents that occurred while the proceedings were underway, including a statement by Colombian Attorney General Carlos Jimenez Gomez that his reputation was on the line if he failed to obtain Soto Prieto's repatriation, and the murder of several people directly or indirectly linked to the case of $13.5 million, led the Austrian court to deny the extradition of the Colombian economist.

People who closely followed the developments in the case told EL TIEMPO that what took place in Vienna was in effect a trial of the Colombian legal system, at the conclusion of which the Austrian court deemed that there are not sufficient guarantees for Soto Prieto to be given a fair trial in Colombia.

Colombian Justice Minister Enrique Parejo Gonzalez said yesterday that Colombia will appeal the case before the Austrian justice minister and, therefore, it cannot be said that the case has been completely lost.

However, EL TIEMPO was able to confirm that there is no other legal mechanism before which Colombia can appeal the case and that the ruling issued by the Supreme Judicial Court is final.

The sources explained that the Austrian justice minister can intercede only in cases in which the court grants the extradition to the requesting country. In that case, the minister can veto the ruling and deny the extradition.

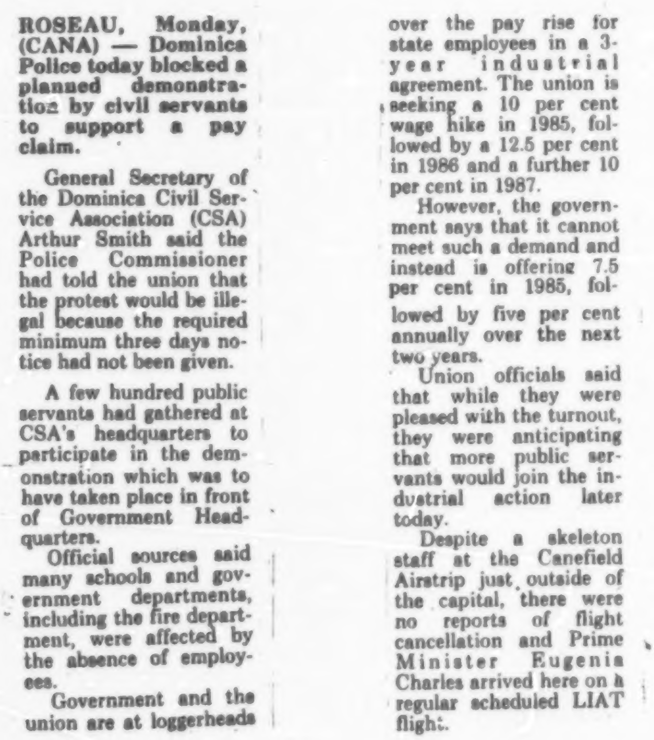
However, if the court denies the extradition request the justice minister automatically agrees with the ruling because, as it was explained, the minister's veto is intended to help the defendant, not work against him. In cases like these the Austrian legal system is concerned about the interests of the individual who has requested the protection of the state, as Soto Prieto did.

/9738
CSO: 3348/290

POLICE BLOCK WAGE PROTEST MARCH BY CIVIL SERVANTS

Port-of-Spain EXPRESS in English 3 Dec 85 p 43

[Text]



ROSEAU, Monday, (CANA) — Dominica Police today blocked a planned demonstration by civil servants to support a pay claim.

General Secretary of the Dominica Civil Service Association (CSA) Arthur Smith said the Police Commissioner had told the union that the protest would be illegal because the required minimum three days notice had not been given.

A few hundred public servants had gathered at CSA's headquarters to participate in the demonstration which was to have taken place in front of Government Headquarters.

Official sources said many schools and government departments, including the fire department, were affected by the absence of employees.

Government and the union are at loggerheads over the pay rise for state employees in a 3-year industrial agreement. The union is seeking a 10 per cent wage hike in 1985, followed by a 12.5 per cent in 1986 and a further 10 per cent in 1987.

However, the government says that it cannot meet such a demand and instead is offering 7.5 per cent in 1985, followed by five per cent annually over the next two years.

Union officials said that while they were pleased with the turnout, they were anticipating that more public servants would join the industrial action later today.

Despite a skeleton staff at the Canefield Airstrip just outside of the capital, there were no reports of flight cancellation and Prime Minister Eugenia Charles arrived here on a regular scheduled LIAT flight.

/8309
CSO: 3298/187

BRIEFS

DOUGLAS ON REGIONAL PARLIAMENT--Roseau, Fri., (CANA)--The opposition Dominica Labour Party (DLP) voiced support today for the formation of a Caribbean Parliament. DLP leader Michael Douglas said that many of the problems confronting the region could well be alleviated if there was greater unity at the political level. Douglas saw a role for a regional Parliament in coordinating bilateal agreements between international aid donors and Caribbean countries. He said that while his party could not advocate to independent countries the manner in which they receive foreign aid, the differences in how various islands were treated was causing severe strains on the economic front. The idea of a Caribbean Parliament was proposed recently by senior Trinidad and Tobago Cabinet Minister, Kamaluddin Mohammed. Douglas said the establishment of a regional Parliament would not involve any fresh elections, since members would be chosen from among existing MPs. "What the regional Parliament will seek to do is standardise the arrangements between extra-regional states and states of the Caribbean," he said. [Text] [Port-of-Spain TRINIDAD GUARDIAN in English 16 Nov 85 p 5] /8309

COUNCIL CANDIDATE WITHDRAWALS--Roseau, Nov 23--Two candidates for the main opposition Dominica Labour Party (DLP) have withdrawn from November 29 Roseau City Council elections, it was officially announced today. The electoral office said the two, Jefferson Joseph and Fitz Shillingford, gave no reasons in letters withdrawing their candidature. The other party in the race is the ruling Dominica Freedom Party (DFP). Fourteen candidates will now contest the elections, including one independent, Ronald Abraham, managing director of one of the two local cable television stations. [Excerpt] [Bridgetown CANA in English 1524 GMT 23 Nov 85 FL] /8309

AGRICULTURAL, INDUSTRIAL AID--Roseau, Nov 23--The Agricultural, Industrial and Development (AID) Bank today announced it had disbursed over two million EC dollars (1 EC dollar; 37 cents U.S.) towards low-cost housing here over two years. In a statement, the bank said the money had been disbursed under a programme funded by the Barbados-based Caribbean Development Bank and the Dominica Social Security scheme. It also said the institution had ploughed over six million EC dollars into the island's economy over the same period, with 29 percent going towards agricultural development and a further 25 percent towards industrial development. The AID Bank said it had now acquired the services of a building inspector under an agreement worked out with the Commonwealth Fund for Technical Cooperation. Ramon de Rosayro will be assigned here for one year in the first instance. The building inspector has worked for 15 years in the Caribbean, 12 of which were with the Barbados Government. [Text] [Bridgetown CANA in English 1405 GMT 23 Nov 85 FL] /8309

TAIWAN FISHING LOAN--Roseau, Nov 25--Taiwan has made a one million U.S. dollar loan available to the Dominica Government for upgrading the fishing industry here. Taiwanese Ambassador Thomas Cheng said that the long-term low-interest loan is to be used exclusively for fishermen. The loan is being provided by the Export-Import Bank of Taiwan and will allow fishermen to purchase equipment needed for their profession. The loan signed here today by Prime Minister Eugenia Charles and Cheng carries a four per cent per annum interest rate and is to be repaid over 20 years. In addition to the loan, Taiwan has also contributed 136,000 dollars (U.S.) for the purchase of a boat now under construction in the United Kingdom and due to be delivered by January next year. Another Taiwanese donation is a gift of 143,000 dollars presented to Miss Charles for the construction of a documentary centre here. [Text] [Bridgetown CANA in English 2059 GMT 25 Nov 85 FL] /8309

CSO: 3298/187

FDR'S UNGO INTERVIEWED ON U.S. INTERVENTION

PY111434 Montevideo LA HORA in Spanish 24 Nov 85 pp 8, 9

/"Exclusive" interview with Guillermo Manuel Ungo, president of the Salvadoran Democratic Revolutionary Front /FDR/ by LA HORA correspondent Rafael Cribari; date and place not given/

/Text/ Salvadoran FDR President Guillermo Manuel Ungo has told LA HORA that the Ronald Reagan Administration is mainly responsible for the prolongation of the conflict in El Salvador.

In an extensive interview, the Salvadoran leader evaluated his country's current political situation, saying that the U.S. counterinsurgency plan "has become more extensive" and also "more complex."

Ungo said that in the U.S. plan, which involves not only the military factor, "it is the war that basically" gets the attention and this is why the U.S. participation in the Salvadoran war "is gradually growing."

In implementing the counterinsurgency plan, the U.S. Government does not spare any efforts in the military or economic areas. Ungo, who is also president of the Diplomatic Commission of the FDR-FMLN (Farabundo Marti National Liberation Front), also said that the war in El Salvador is costing the U.S. Government "$1.5 million a day" and that "35 percent of it is for military aid or what they (the Americans) call security. Only 15 percent is left for economic development."

Ungo added that this factor "is a basic element in the prolongation of the war" because if there were no such aid "in political-military terms, not just military aid, the war would have ended." He believes that "a solution favorable for the interests of the people would have been reached."

The U.S. administration and the Salvadoran Government headed by Jose Napoleon Durate admit this to justify the aid, saying that "a military-political collapse" would occur if there was no U.S. aid.

Despite the greater U.S. involvement in the Salvadoran civil war as the main supporter of the Christian Democratic government, the results are poor.

Ungo evaluated the current situation, especially the U.S. belligerance, and came to the conclusion that "there is growing investment and diminishing returns." Ungo believes that Reagan's and the U.S. State Departments' "objectives in the counterinsurgency plan are becoming more difficult to attain and getting farther away."

Ungo added: "Without the U.S. presence the government would fall due to lack of social and popular support."

Evaluating the military aspects of the situation, Ungo said that the fact that "the U.S. counterinsurgency strategy is being implemented does not mean that it is effective." Ungo was precise in asserting that the guerrillas "have greater control" over territory, and that they "maintain the strategic initiative" and at the same time "are consolidating rearguard areas, and they are not isolated or being pushed toward the north as the U.S. plan hopes."

The plan of the U.S. generals to push and squeeze the insurgents into Honduran territory where there are thousands of U.S. troops is not only not working, but the FMLN has "military operations in 12 of the 14 departments, and in 8 of them operations are intensive."

Ungo recalled that the guerrilla actions effectively wear down the government troops, and cited as an example the military high command's admission that the government troops had suffered 400 casualties last October at the hands of the FMLN "which indicates that the erosion is deep and is taking away the army's capacity to grow."

Guillermo Ungo said that the FDR-FMLN still adheres to all the terms in its proposals for talks to allow the parties in conflict to reach a political understanding. The FDR leader said that "we are not proposing any formula" but rather "a guide; they are proposals for discussion and negotiation."

He added that the guerrillas' proposals "are dishes on a menu, not a complete menu, and it would be wrong for us to hope to start with a complete menu including the dessert."

Ungo--who is also secretary general of the National Revolutionary Movement /MNR/ which is part of the FDR--said that this will depend on how "the correlation of forces, and the composition and purges within the government, and particularly in the armed forces," develop.

Ungo also recalled the two rounds of talks between the guerrillas and the government in La Palma on 15 October 1984 and in Ayaguelo on 30 November 1984. Later, the FDR-FMLN made four other formal proposals to the Salvadoran Government through Archbishop Arturo Rivera y Damas "who was the intermediary, but they were all rejected."

Ungo recalled the steps taken for peace by the guerrillas and emphasized the joint document signed with Shafik Jorge Handal of the FMLN general command a few months ago.

Handal--who is also secretary general of the Communist Party of El Salvador--and Ungo sent a document to the Forum for Peace, an entity organized by the National Conciliation Party in San Salvador city. The document contains all the proposals for talks that the FDR/FMLN have made during the last few months.

With a great display of propaganda, the U.S. Administration, through Charles Redman, a Department of State spokesman, harshly criticized the FMLN proposal for restarting the talks.

The guerrilla proposal was represented by some international news agencies, echoing Redman's statements, as reflecting an alleged serious disagreement between the FDR and FMLN leaderships.

Ungo stressed that the U.S. attitude is that of "propagandistic manipulation, in which there is a great deal of psychological and publicity warfare."

Referring to the position of the FMLN General Command, as made known last weekend, Ungo said that it "has not been adopted because we foresee a change in the position of the government, which is not willing to or cannot hold real talks now, but because there is a manipulation of publicity" by the United States.

There supposedly are disagreements between the FDR and the FMLN "as to their differing desires and willingness to hold talks," which the Salvadoran leader played down. What he did make clear is that there have been "some very specific differences over details" but "within a strong and general agreement on strategy and tactics."

The member of the FDR Executive Committee stressed the similarity of the FMLN proposal "with ours."

Referring to the Central American region as a whole, Ungo, who is also vice president of the Socialist International, talked about the Contadora Group and its search for peace in agitated Central America.

Ungo recognized that the Contadoar Group "is a very difficult subject, because what it intends to do is one thing but what it has accomplished and will accomplish is another."

Ungo said that Contadora "was in critical condition" and refused to voice "pessimistic opinions--not negative, but pessimistic," but rather preferred "a prudent and relative optimism."

He insisted that it is "very difficult to predict" and asserted that "the existence of the Contadora Group is more or less ensured," although adding that the problem is to know how much to expect from it. In the opinion of the Salvadoran politician there is "a real Contadora" and a "mythical Contadora."

Ungo said that the Contadora Group, made up of Mexico, Panama, Colombia, and Venezuela, "is an instrument in being, a real instrument with posibilities, but the group cannot be the only one to contribute to peace; the development of the positions of the Central American governments must also be observed," because they are the actors in the drama the subcontinent is experiencing.

He noted that "it is obvious that the United States has a determining role in the region," Ungo also referred to the United States as "the great absent party in the Contadora Group." However, Ungo--who is also a member of the Executive Board of the Latin American Human Rights Association (ALDHU)--considers this to be a "positive" situation.

He drew attention to the fact that Contadora is "a Latin American expression, the embodiment of Latin American aspirations with clear and precise objectives that are different from those of the Reagan Administration." He explained that those objectives must be attained "through dialogue and negotiation," so as to arrive at "a peaceful and nonmilitary solution, respecting the principle of the peoples' self-determination."

Continuing with his analysis, Ungo contended that "the advantage derived from the absence of the United States is also a weakness, because the great absent party does not assume any commitment despite its great presence."

The FDR leader was quite clear in insisting that the United States is present in Central America "every day" through countries like "Honduras, Costa Rica, and El Salvador." He then referred to the immediate future Guatemala, which "cannot be overlooked." On 8 December, Christian Democrat Vinicio Cerezo and Union of the National Center's Jorge Carpio Nicolle, the first from the center-right and the second from the right, will decide in a runoff election who will become president of Guatemala on 14 January when the winner will take over; both have support from the military.

Ungo said that "there are many enemies hiding behind Contadora," and recalled that "the whole international and Latin American crisis, which culminates in the foreign debt problem, has served to shape Latin American sentiments, aspirations, and actions, but they are weak and insufficient."

"At the same time," Ungo added, "the economic crisis weakens the positions of some governments vis-a-vis the U.S. superpower."

Commenting on the Guatemalan elections, Ungo said that in Guatemala "a political opening, not a democratic opening, was taking place. He then added that the political opening is restricted and controlled, without changing the essential power structure," where "military power continues to predominate."

He did not want to predict developments in Guatemala, but pointed out that the forces participating in the elections are from the right." Referring to the Christian Democrats, Ungo noted that "their propositions are considered moderate by some, although they really fall on the center-right of the political spectrum."

Ungo said that it is the same whether Cerezo or Carpio wins because they both "are closer to the U.S. administration. They have a challenge in the economic field, a serious economic crisis which they will try to resolve through dollars, but those dollars are not given away, they are loaned, and tied to political conditions." He added that the U.S. loans are tied up to the U.S. "strategy" in the area "which is aimed at creating greater tension and getting the highest subordination from those governments" to the interests of the Reagan Administration.

Upon explaining posture of the Guatemalan Armed Forces in the Central American situation, Ungo pointed out that "the army, which will be the power behind the throne due to its own reasons and interests, has sought a neutral and more distant position because it believes that involvement in conflicts does not produce any benefits but causes harm, it wears the army down in terms of its own national interest vis-a-vis the interests of the popular forces."

Only 1 week ago foreign ministers of the EEC, Spain, and Portugal met with the foreign ministers of the Central American countries and the Contadora Group Luxemburg. Ungo labeled the results of the European meeting as "positive but modest." He emphasized the fact that a joint position was reached "even though there were different views." He explained that "some European governments are closer to some positions of the Reagan Administration, although there is no complete agreement on U.S. strategy, especially with regard to Nicaragua."

Ungo said that Europe wants to act through the Contadora Group and not on its own, which does limit some efforts. Ungo added: "But at the same time it allows greater coordination and it is a message to Washington of how differently Europe is evaluating the Central American situation from the Reagan Administration."

Despite this positive aspect, Ungo pointed out that "this is not sufficient, because the U.S. administration is hard, stubborn, arrogant, and militarist in its ways of seeking a solution according to its interests in the region."

With regard to international solidarity, Ungo emphasized the achievements made, although he said that "there is a great deal still to be done." Ungo praised the democratic changes in the southern cone of the continent through the people's struggle. Regarding Uruguay, Ungo said that "there is a strong social and political movement which is aware of the Central American conflict and the influence this conflict can have on Latin America and Uruguay."

Ungo recalled that the fighting in Central America is for self-determination and nonintervention "and what happens in the region can act as positive or negative guidelines for all the countries of the southern cone."

He emphasized the Uruguayan Government's participation in the Support Group for Contadora along with Argentina, Brazil, and Peru, saying that in the future the Uruguayan Foreign Ministry should intensify certain types of diplomacy and public and private actions in the search for a negotiated political solution in El Salvador.

Ungo was emphatic in pointing out that "there will be no peace in Central America until the Salvadoran conflict is resolved."

He added that the Contadora Group and the "Uruguayan Government" are fully aware of this.

Regarding the Salvadoran Government, he said that "its real characteristic is its fast deterioration." The Duarte Government cannot solve the economic crisis even if he "seeks understanding with sectors of the oligarchy to get economic reactivation. This is impossible even if it is based on the investment of foreign capital."

In conclusion, Ungo recalled the struggle of the workers who in the last few months went on strike to demand better wages and freedom.

Ungo indicated that the workers and peasants along with students and professionals are mobilizing to back their claims, and the implementation of political dialogue.

He added that in the last few months Duarte's isolation has grown tremendously while the peace policies of the FDR-FMLN have obtained the support of large sectors of the population.

He said that organizations "such as the Central Workers Union created last year by the AFL-CIO (run by U.S. labor unions) have denounced Duarte. Duarte's social support has decreased. Ungo also referred to unions that in the past were run by Christian Democrats but which now have separated from that political organization.

The popular struggle is increasing despite "the state of repression, and the state of siege which has been in force for the last 5 years. There have been 130 strikes this year as compared to 80 last year."

He added: "In addition to that, the selective repression against union leaders, arrests, and even murder, and the existence of 600 political prisoners show the isolation of President Duarte."

/12228
CSO: 3248/119

NNP GROUPS WILL SEEK TO TAKE POWER AT CONVENTION

FL230402 Bridgetown CANA in English 2123 GMT 22 Nov 85

[Text] St Georges, Nov 22--The weekly GRENADIAN VOICE today reported that two of the three constituent groups of the ruling New National Party (NNP) had struck up an alliance to capture the top party posts up for grabs at the NNP's inaugural convention next month.

The paper, in a page one article captioned NNP Convention Intrigue, said the alliance involved the Grenada National Party (GNP) of Prime Minister Herbert Blaize and the Grenada Democratic Movement (GDM) of Labour Minister Dr Francis Alexis.

These two middle-of-the-road groups, along with the National Democratic Party (NDP) of Agriculture Minister George Brizan, came together under the banner of the NNP to contest last December's general elections.

THE GRENADIAN VOICE, quoting NNP sources, said Blaize was expected to run unopposed at the December 8 convention for the post of party leader, but there was much behind-the-scenes jockeying and campaigning for the other important posts of deputy political leader, general secretary, and party chairman.

Part of the deal between the GNP and the GDM, the paper said, was for Alexis to be elected deputy political leader and his GDM colleague, Public Utilities Minister Dr Keith Mitchell, to get the job of general secretary.

The paper said either External and Legal Affairs Minister Ben Jones, a GNP stalwart, or junior labour minister Norton Noel, who is closely associated to the GDM-wing of the government, would get the nod for party chairman.

The paper alleged that some members within the ruling party had claimed that money was being offered to delegates who will attend the convention, to ensure the election of the chosen candidates for the top posts.

Another matter of concern among party members, THE GRENADIAN VOICE said, was that the draft agenda does not allow for candidates to address the convention.

They are also concerned that the draft agenda makes no provision for discussions to be permitted and that delegates would be allowed only two minutes to make submissions while nominating candidates.

Meanwhile, the NNP's newspaper, THE NATIONAL, quoted the party's chief organising secretary, Ben Andrew, as saying that he sees Blaize running unopposed as party leader but expects a close ballot for the positions of deputy political leader and general secretary.

Blaize is down to deliver a state of the nation address at the convention, which will be attended by over 300-odd delegates who are expected to ratify the party's constitution.

/8309
CSO: 3298/179

CONSTITUTION REVIEW COMMISSION OFFERS SUGGESTIONS

Head of State's Role

FL251550 Bridgetown CANA in English 1653 GMT 23 Nov 85

[Text] St Georges, Nov 23--The Grenada constitution review commission has told government here there is need to insert in the 1974 independence constitution a deeply entrenched provision for the head of state to be appointed by an electoral college through a secret ballot.

According to the report of the commissioners, this body should comprise members of both houses of parliament, the chairman of district boards in the country, as well as the chairman of a proposed council for Carriacou and petit Martinique, two of Grenada's sister islands.

The commissioners told the government this is the only way that the head of state would be seen as a symbol of unity throughout the country, because this method of selection would most likely ensure that the nomination is not controversial.

Upon considering the views of those who wrote to the commission or who were interviewed on the subject of the exercise of executive authority in Grenada, the commission formed the impression that what quite a vocal minority in Grenada wants in future is a head of state who would not owe his appointment and his continued tenure, as such, solely to the prime minister, it said.

The commissioners stated that it was forcefully presented by certain informed witnesses who appeared before them that the head of state should be a president elected by an electoral college.

Among the persons who appeared before the commission were Labour Minister Dr Francis Alexis, Agriculture Minister George Brizan, Chief Justice Sir Achibald Nedd, former head of the interim administration Nicholas Brathwaite, Legal Affairs Minister Ben Jones and opposition leader Marcel Peters.

The commissioners decided against making any straight-forward recommendation in the report on whether the Queen should continue to be represented locally by a governor general, or rather by a president presiding over a republican regime.

This is in the commission's view the kind of choice in which technical issues can be less important than the collective expression of the national consciousness through the political process, the report said.

In addition, it suggested that appointments to a number of important offices in sensitive areas in public life in Grenada not be left solely to the prime minister. These offices include the chairman of the proposed Electoral and Boundaries Commission, ombudsman, the director of audit, members of the Public Service Commission, the chairman of the public service board of appeal, and the chief of police.

In this report, the commission recommends that the chairmanship of the Electoral and Boundaries Commission should be filled not by the speaker who is elected by the House of Representatives, the majority of whose members would invariably support the government, but by a person who has held high judicial office and who does not hold any other office.

Changes in Senate

FL231238 Bridgetown CANA in English 2136 GMT 23 Nov 85

[Text] St Georges, Nov 22--Grenadians are dissatisfied with the functioning of the Senate, upper house of Parliament, and the method of nomination of senators, according to a government-appointed constitution review commission.

The five-man commission handed in its report on November 5 after reviewing memoranda submitted by nationals on possible changes to the constitution.

It said the prevailing view was that the Senate, as constituted, was a rubber stamp which served no useful purpose.

It was felt that if the Senate were constituted differently, it might become more effective and carry out the functions which it is intended to perform, namely a chamber of review and deliberation over matters emanating from the House of Representatives, said the report.

Under the 1974 independence constitution, seven senators are appointed by the governor-general on the advice of the prime minister and the three others are appointed by the governor-general on the advice of the opposition leader.

The report recommended that four senators should be appointed by the governor-general acting on his own judgment.

Apart from its traditional role as a chamber of review, the commission suggested a Senate providing a reservoir from which able independent persons with particular expertise can be chosen to serve the state as technocrat ministers without taking an active part in party politics.

In this regard, the commissioners envisaged additional responsibilities for the Senate, as in the selection of the head of state and in the process of constitutional amendment.

/8309
CSO: 3298/179

CANADIAN AID PACKAGE TO UPDATE TELEPHONE SYSTEM

FL231551 Bridgetown CANA in English 1434 GMT 23 Nov 85

[Text] St Georges, Nov 23--Grenada is optimistic of raising an EC11 million dollar (1 EC doll; 37 cents U.S.) package from Canada to help upgrade the island's telephone service, Public Utilities Minister Dr Keith Mitchell said.

Mitchell's comment came against the backdrop of recent statements from American diplomats on the island that the United States would be unlikely to provide a one million dollar grant Grenada requested to help fund the modernisation of the state-owned company with Canadian equipment.

The minister said the Canadian Government had indicated a willingness to provide Grenada with an entire package to purchase the telephone equipment and expand the cable system here.

The package will contain a grant element and a loan element. The loan is coming from the EDC, which is the export bank of the Canadian Government, and the grant is coming from CIDA (Canadian International Development Agency), Mitchell told CANA.

The Canadian firm of Northern Telecon was recently awarded a multi-million dollar contract by Grenada to digitalize the entire telephone system by the end of 1987.

We have no conflict as such or no refusal as such, said Mitchell. It is a question of who is taking up what and the Canadian Government is now agreeing to take up the whole slack....

CIDA had originally offered Grenada a grant of 5 million dollars for the project, but Mitchell said in recent discussions with the Canadian high commission they indicated that the island would be very happy with the package.

/8309
CSO: 3298/179

BRIEFS

NEW VISA REQUIREMENTS--Georgetown--Guyana announced today that all visitors, except citizens of Caribbean Community (Caricom) states, would require visas before entering the country. The move widens an order of March last year when nationals of Canada, the United States and The Netherlands were first required to produce entry visas. The statement from Home Affairs Minister Jeffrey Thomas spoke of "the urgent necessity" for all airlines "to enforce the directive that where Guyana has a mission or consulate no ticket must be sold to any person wanting to travel to Guyana who does not produce a valid visa." It said applications for visas may be made at Guyana's missions abroad. In places there are no consular offices, contact should be made with the nearest one. The statement said any person who is refused entry into Guyana would be detained and placed on the first available flight out of the country. The requirement for a valid visa will also be applicable to persons in possession of work permits. In the case of people coming on official business with the government and there is inconvenience to comply with visa requirements, application must be made to the Home Ministry at least seven days prior to the persons arrival in order that arrangements be made for clearance at ports of entry. Immigration authorities and the police have reportedly expressed concern about the frequency with which non-nationals arrive in Guyana without the necessary visas. [Text] [Port-of-Spain EXPRESS in English 25 Nov 85 p 49] /8309

CSO: 3298/188

JULIO LOPEZ INTERVIEWED ON UNITED STATES, CONTADORA

PA062248 Managua BARRICADA in Spanish 5 Dec 85 p 3

/Text/ While the OAS has included the Central American issue among the points for its 14th assembly in Cartagena, Colombia, Julio Lopez, head of the FSLN National Directorate's International Relations Department and member of the Sandinist Assembly, talked to BARRICADA concerning the current situation in the area.

The following is the full text of the interview:

/Question/ What is the current situation concerning the peace efforts?

Lopez: It is very important for the Nicaraguan people to clearly understand the difficult situation which is currently being experienced by the peace efforts in Central America, particularly the precarious situation of the Contadora process.

This is very important because the people must be clearly aware that there is no possibility of achieving peace, either in a short term or a medium term.

The search for just and honorable agreements through the Contadora process is still only a just hope of the Nicaraguan people and government, shared by the Central American peoples.

Our people must continue to be clearly aware that the only real thing is that the United States continues and will continue to wage a mercenary war against our country, and we see no possibility of achieving peace, unless the mercenary forces' defeat persuades everyone that the most reasonable thing is negotiations between the United States and Nicaragua.

/Question/ What is Contadora's current situation?

Lopez: Summarizing the process and bringing it up to date, we can state the following:

On 7 September 1984, Contadora proposed a draft document for peace in Central America. Nicaragua was the only country that accepted the proposal. The United States and the Central American countries did not accept it.

The U.S. Government and its associates in Central America started to exert pressure in and out of Contadora to modify the document in a way that favored the U.S. Government's interests.

As a result of this pressure, which adopted various forms--political, diplomatic, financial, etc.--Contadora presented a new draft resolution on 12 September 1985. This new draft document represented an enormous step backwards from the 1984 proposal. The document reveals that Contadora, within its efforts as a mediator, ended by agreeing to make concessions to U.S. policy and included in the document the positions that the United States had been introducing in the Contadora meetings through Honduras, Costa Rica, and El Salvador. As a result of the U.S. Government's pressures, and this is even more deplorable, the September 1985 document has suffered modification, or "polishing" as they say in diplomatic language, which favors U.S. interests and precludes a reasonable and just agreement which respects all the Central American states' rights and interests.

/Question/ Given this situation, what is our position?

Lopez: The Nicaraguan Government has premanently given its support to the Contadora process during these 3 years, to give it the opportunity to achieve peace in Central America.

/Lopez continues/ We have been flexible in seeking reasonable agreements, seeking reciprocal and equitable concessions for all the parties involved. Nevertheless, everything indicates that some people have misinterpreted Nicaragua's goodwill and have thought that if they continue to exert pressure on Nicaragua it will be forced to grant all the concessions that satisfy the U.S. Government's wishes and goals. This is obviously a great mistake that has deteriorated the negotiation process and its Latin American essence.

Our companero President Oretga clearly defined our position concerning this situation by stating that if the United States does not cease all its forms of aggression against our country, Nicaragua will sign no document or agreement, because it would be completely ineffective.

/Question/ Why do we adopt that attitude?

Lopez: We have been participating in Contadora's discussions throughout the last 3 years in all good faith, seeking peace through negotiation, because we are aware of our political responsibility. We have been seeking a negotiated and peaceful solution to the region's conflict while the United States has been increasing its war against us all these years. The United States has permanently installed itself in Central America and--this has no precedent in our region's history--has increased its intervention in El Salvador; likewise, and this is well known, the United States does not commit itself in the Contadora process.

This situation has become unacceptable. First, the world is led to believe that the peace efforts are advancing, but the things which have truly advanced are the aggression against Nicaragua and the process of granting concessions to the United States through the discussions on the Contadora document.

President Ortega was emphatic. We will let no one mock our goodwill to achieve peace. Therefore, Contadora will achieve no progress as long as the United States does not cease its aggressive policy.

/Question/ What does Contadora think about all this?

Lopez: First of all, the Nicaraguan people must be clearly aware that the Contadora Group accepted a difficult mission and has tried to act in good faith. Nevertheless, we must state that the situation has become precarious for some time, because there can be no negotiations in Central America without defending certain basic principles with respect to the United States, such as nonintervention, respect for the countries' sovereignty, etc.

In other words, to mediate means to confront the U.S. Government in one way or another. In addition, we must bear in mind that Contadora is comprised of four governments which seek to achieve a consensus how to do things, and they are four different governments, with their own characteristics, peculiarities, virtues, and limitations; thus, Contadora is facing a complex and difficult task because it must seek a just and equitable negotiation while avoiding a confrontation with the United States.

As you well know, Latin America has been experiencing a grave financial crisis, and these financial resources are in the United States' hands.

This tends to complicate the situation even more, basically because the U.S. Government is trying to demand that everyone help annihilate the Sandinist revolution. In sum, we must understand that Nicaragua's interests can be properly defended with respect to the United States only by the Nicaraguan people; consequently, we ask no one to do this on our behalf. Furthermore, the Central American peoples' hopes of peace and stability can only be properly defended by Nicaragua, because we are the only country in the region which truly has political independence.

/Question/ What can we expect at the OAS and the United Nations?

Lopez: The Contadora Group has presented a draft resolution at the United Nations to support its efforts. We have said that we support this draft resolution, but we feel that it must necessarily refer to certain U.S. Congressional decisions that represent a violation of the UN Charter and international laws, an insult against Contadora, and an aggression against Nicaragua. We have clearly stated that if Nicaragua's just viewpoint is not taken into consideration we will not support a resolution at the United Nations, and this also applies at the OAS.

/Question/ Does this mean that Contadora is in danger?

Lopez: The Nicaraguan Government has been clear and understanding. We are the only ones who have firmly supported Contadora so far, and we firmly believe that the peace effort must continue. Contadora must not only survive, it must also become stronger, but it must adopt firm, dignified, just, and honorable positions, because this is necessary for Latin America's dignity.

We have always said that we struggle not only for Nicaragua when we defend our national sovereignty, national independence, and respect for international laws in front of the United States; we are also defending Latin American's rights. President Ortega clearly said: Any precedent which Latin America accepts from the United States against Nicaragua will be later used against any Latin American country, be it big or small.

Consequently, the top priority of all responsible governments in Latin America is to defend those principles.

In addition, the Latin American leaders must be clearly aware that the consequences of a direct U.S. military intervention against Nicaragua would be felt in all Latin America; thus, they will be defending Latin America, not Nicaragua, when they defend these principles, because Nicaragua is already defending itself with its own weapons.

We hope this is true. Anyway, we are defending ourselves and we will continue to defend ourselves, to the last man, in case of a war.

/Question/ What are the perspectives for the future?

Lopez: First of all, the U.S. Government continues and will continue to impose a mercenary war on us. Therefore, the Nicaraguan people must be clearly aware that the first and most important thing is to continue fighting. That is our only guarantee, and the possibility of achieving peace is closely linked with our military victories.

Second, our government will continue its international efforts, seeking and promoting a peaceful solution to the conflicts in the region. However, this depends, first of all, on the U.S. Government's political will and, second, on Latin America's firm efforts in particular and the international community's firm efforts in general, to exert pressure on the U.S. Government and seek a just peace agreement.

Third, the Contadora peace effort is facing an extremely difficult situation.

If Contadora maintains the positions presented in the September 1984 document, if Contadora firmly defends the principles of sovereignty, self-determination, and respect of international laws, we are sure that this effort will still have a future. Otherwise, we must be clearly aware that its future will be uncertain. Nicaragua has seriously and appropriately fulfilled its responsibilities in the search for peace; we will continue along this line as long as the other countries' conduct makes it possible for our country to continue in the negotiation process with dignity.

/12228
CSO: 3248/120

UNO ISSUES COMMUNIQUE ON OAS

PA052016 Panama City LA ESTRELLA DE PANAMA in Spanish 5 Dec 85 pp A-1, A-18

/Article by Edmundo Dante Dolphy/

/Text/ Alfonso Robelo, one of the three leaders of the Nicaraguan opposition Unity /UNO/, told LA ESTRELLA DE PANAMA that the only option to resolve Nicaragua's crisis is to seek a road that will lead to national reconciliation.

The leading politician, who played a key role in the overthrow of dictator Anastasio Somoza and who is now a staunch opponent of Nicaragua's Sandinist regime, said that although the Contadora Group's efforts are currently at a stalemate because of the group's desire to avoid confrontations between states, it can still be effective at the national level. He said that if the group succeeds in achieving national reconciliation in Nicaragua this would probably bring peace and stability to the entire region.

Robelo proposed that the Contadora Group sponsor or act as mediator in a national dialogue in Nicaragua aimed at putting an end to the domestic crisis and to the bloodshed that has brought sorrow to hundreds of Nicaraguan families.

The UNO leader believes the Contadora Group has strayed off course, concentrating on international issues and neglecting the real internal problems that each Central American country confronts.

At another level, but closely linked to the Central American problem, UNO's leadership issued the following communique in Cartagena on 3 December on the occasion of the 14th OAS special session.

1. The Sandinist regime has not honored the solemn pledge it made to the Nicaraguan people and the OAS in the document of 12 July 1979, whereby it promised to abide by the resolutions of the 17th consultation meeting.

The situation that led "an international organization to declare the government of an OAS member country illegitimate--a first in the history of international organizations--" is currently far more acute.

2. On 15 October, the FSLN issued a decree to suspend the rights, freedoms, and individual and collective guarantees of the Nicaraguan people that were

routinely violated without that decree. The issuing of that decree unequivocally exposed the fact that in order to remain in power, the FSLN military dictatorship must resort to repression against the Nicaraguan people and breach its obligations to the OAS and the world.

3. The third point of the UNO communique signed by the organization's leaders, Adolfo Calero, Arturo Cruz, and Alfonso Robelo, states, as Nicaraguan President Daniel Ortega himself admitted in his speech before the UN 40th General Assembly, that the regime has reached the unprecedented position of utilizing the repression and persecution it has unleashed against the Nicaraguan people as an instrument in the negotiations to resolve its disagreements with the United States.

The regime has shown contempt for the Latin American governments by refusing to sign the Contadora peace document purportedly on account of those disagreements with the United States. However, that problem is not broached by the peace document.

4. Point 4 is Robelo's answer as to whether the Contadora Group has been an instrument to consolidate a Soviet-satellite regime in Nicaragua. It states: "The FSLN has used the Contadora Group efforts as a truce period, during which it has disproportionately increased its sophisticated military weaponry provided by the Soviet bloc to strengthen its militaristic, dictatorial scheme."

5. The subordination of the Managua regime to the Soviet bloc as an instrument of its expansionist policy is incompatible with the inter-American system, which is based on human freedom, respect for human rights, and the full exercise of a representative democracy.

6. On 12 June 1985 UNO signed the San Salvador Declaration to engage all efforts toward the establishment in Nicaragua of a pluralist, democratic system of government inspired by the OAS charter and goals, "giving priority to a political solution that will redeem our people from suffering."

7. "We have repeatedly expressed our willingness to participate in a national dialogue, which the Nicaraguan people, through the Catholic hierarchy and the Nicaraguan Democratic Coordinating Board, have demanded. The Sandinist regime has outright rejected said proposal."

8. In view of the above and based on the precedent established by the OAS with regard to the resolution of the crisis created by the former dictatorship, UNO challenges the OAS to give a clear definition of the root of the Central American problem and to offer realistic solutions to the conflict, which is not the result of a confrontation between states, but of the repression and civil war that the communist dictatorship has imposed on the Nicaraguan people.

Arturo Cruz, Adolfo Calero, and Alfonso Robelo end by stating that "any attempt to resolve the problem without including the Nicaraguan opposition will be doomed to failure. There will be no peace in Central America without democracy in Nicaragua."

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BRIEFS

COUNTRY JOINS INTERSPUTNIK--Nicaragua has become the 14th country to join Intersputnik, an international organization for communications via satellite whose ground station is based in the USSR. With its incorporation into this system, in which more than 50 countries participate through the exchange of television programs--among them, Japan, the United States, Austria, Yugoslavia, Algeria, and Angola--Nicaragua has fulfilled one of its most advanced technical efforts. /Text/ /Managua Radio Sandino in Spanish 1750 GMT 2 Dec 85 PA/ 12228

BULGARIAN DONATION--Corinto--Kiril Zlatkov, ambassador of the People's Republic of Bulgaria, yesterday presented a donation to Jose Angel Buitrago, deputy foreign cooperation minister, valued at approximately $10 million consisting of 12,635 boxes of canned food, 7,441 boxes of sardines, 150 tons of medicine, and 52 vehicles for the Construction Ministry. /Summary/ /Managua BARRICADA in Spanish 10 Dec 85 p 4 PA/ 12228

CSO: 3248/120

INTERIOR MINISTER ON CRIME, POLICE-MILITARY JURISDICTIONS

Lima EL COMERCIO in Spanish 20 Oct 85 p A-4

[Interview with Abel Salinas Izaguirre, minister of interior; date and place not specified]

> [Text] The Ministry of Interior has begun to coordinate with the Armed Forces. This will be expanded to other ministries in order to make our fight against crime more effective. I am going to request, therefore, that the state of emergency declared in the Alto Ucayali zone be lifted. The Armed Forces will be withdrawn from this zone and the Police Forces can act. The work of the Armed Forces has ended for now since the terrorists are retreating. On the other hand, it is indispensable that the Police Forces fight against the drug traffickers who have their centers of operations there.

Architect Abel Salinas Izaguirre used a large map with colored indicators to point out the nerve centers of drug traffic that they propose to attack.

[Question] What does the Armed Forces say?

Salinas: It feels that, under current conditions, its presence is not required in that zone.

[Question] Has terrorism been defeated?

Salinas: At this point, it does not represent a danger. On the other hand, a specialized force to strike at drug traffic is indispensable.

Kidnappings

[Question] In recent weeks there have been really alarming reports about the problem of kidnapping. It would seem that we are facing a "new industry" for crime. What do you think?

Salinas: Kidnapping is a multiple crime. It is an attack against individual freedom since a person is abducted, against property since ransom money is demanded, against life and physical integrity if the victim is hurt and against the state if political demands are made in exchange for the victim. Kidnapping is severely punished throughout the world. However, due to state leniency in Peru, kidnapping is profitable for the criminals. However, this will soon end.

[Question] How much has been paid in ransom?

Salinas: Kidnapping is a crime that is hard to quantify. The relatives of the victim keep quiet. They pay the ransom and keep quiet for fear of reprisal. The criminal demands that they conceal the kidnapping from the police as a condition. Therefore, we say that our Brigade Against Kidnapping is a very specialized corps.

[Question] Is it part of the PIP [Peruvian Investigative Police], the GC [Civil Guard] or the GR [Republican Guard of Peru]?

Salinas: It is part of the PIP. But under the new police concept, all the forces contribute when necessary toward the same objective.

[Question] In theory. In practice every corps goes its own way.

Salinas: It went...its own way. Three nights ago, a gang of bandits was captured. It was spectacular. The criminals threw grenades; there was gunfire. But the law won. Who participated? The coordinated Police Forces. The GC and the PIP came at the right time and each one had its own role.

[Question] What else was new about this operation?

Salinas: A new patrol unit participated.

[Question] New acquisitions?

Salinas: No, these are vehicles that the president of the republic, Alan Garcia, has assigned to the Radio Patrol. These vehicles had been assigned to the bureaucracy before.

[Question] It is said that former PIP members participate in the kidnappings.

Salinas: That has not been proven. Many things are said.

[Question] Are there foreign kidnappers?

Salinas: No crime has nationality. They will not escape just because they are foreigners.

[Question] How can the kidnapper be caught if no one talks?

Salinas: The Brigade Against Kidnapping acts; it does not explain. A short course on its techniques would help the criminals, not society.

[Question] If there is no accusation, the police do not act....

Salinas: That is not true. The police act after an accusation in certain cases determined by law. Kidnapping is a multiple crime. The police can never neglect its investigation and persecution.

[Question] But if the family of the victim asks the police to refrain from intervening in order to save the life of the victim, what will the Brigade Against Kidnapping do?

Salinas: Your question falls into the category of police casuistry. There can't be any general rules. The police can adopt a certain position as strategy to save a life. But it can never agree to not act or, its counterpart, respect the criminal. The kidnapper will be pursued his entire life even if he hides abroad. No matter how expert a criminal is, he leaves identifying clues. The money is the main thing. On very few occasions do kidnappings anywhere in the world remain unsolved.

[Question] Who heads the Brigade Against Kidnapping?

Salinas: (He hesitates.)...Col Cesar Anco Zegarra.

[Question] Is there secrecy about his name? Fear that the head of the Brigade Against Kidnapping might be kidnapped?

Salinas: No way. The kidnappers would receive an unpleasant surprise.

[Question] What about the kidnapping law? Is there a death penalty...?

Salinas: In several countries kidnapping is punishable by death. In the United States, Hauptmann, the kidnapper of aviator Lindbergh's son, was sent to the electric chair. But here there is no capital punishment by mandate of the Constitution. We have asked for a very strict law that Congress should soon pass.

Police Reform

[Question] What is the police reform?

Salinas: For the public to have confidence in the police instead of mistrusting them. That, in a few words, is it....

[Question] Has this objective been achieved?

Salinas: Philosophers work for historical processes; we ministers work for today...for yesterday.

[Question] A historical process...?

Salinas: Philosophers work for historical processes; we ministers work for today...for yesterday.

[Question] It has been announced that the list of chiefs and officers of the GR and the Police Forces who should go into retirement has been drawn up. What is keeping you...?

Salinas: Every measure has its time. Nothing is keeping us or pushing us. There is a timetable that must be followed.

Preparation

[Question] Is the police prepared to give society what society expects of it?

Salinas: First of all, moral and psychological preparation is indispensable. We believe that there is an institutional esprit de corps that overcomes the old rivalries between forces. The policeman today is a man who fulfills his duty with true heroism. Without exaggeration or false modesty, he is the hero of our time. This policeman is psychologically prepared to act instantaneously to use the authority the state has vested in him.

The material equipment has also improved.

Distortion

[Question] Is there journalistic distortion of criminal activity?

Salinas: In some media. The crime is surrounded by sensationalism and the criminal is presented as a hero. This often happens in the case of terrorism.

Minister of Interior

[Question] Are there changes in the ministry?

Salinas: Yes. Before, the minister of interior was the minister of the Police Force. Today he is responsible for the interior government of the country, internal security, the maintenance of public order and, in general, the guarantee of the safety of the citizen....I will say human being which has greater constitutional propriety.

[Question] Was the Organic Law of the Ministry a dead letter?

Salinas: Perhaps not. But certainly asleep....The end was confused with the means. The Police Forces are not the end. The Ministry of Interior is the means so that the state fulfill its basic purpose: to guarantee respect for the law through police power....

[Question] How was this confusion demonstrated...?

Salinas: Even in outward appearances. The office of the minister is, as you see, one room and that is fine....But the office of each director has rooms, waiting rooms, a private dining room, an auditorium for the general staff meetings....This is fine but it would be better if the police, in general, had the modern equipment necessary to prevent crime and investigate them when they have been perpetrated.

Illegal Immigration

[Question] Is there any problem with immigrants...?

Salinas: There are Chinese people who do not have papers. We have talked with the authorities in Taiwan. It is necessary to find a solution....

[Question] Deport them...?

Salinas: Where?

Smuggling

[Question] How is the repression of smuggling going?

Salinas: The amount of merchandise seized between January and July was about 31 billion sols. In August alone, this rose to 146 billion sols.

Drug Problem

(Agustin Mantilla, deputy minister, enters the minister's office. It is time to talk about drugs.)

[Question] Has the intensity of the antinarcotics campaign diminished?

Salinas: No, but here is Mr Agustin Mantilla who can offer more details about this subject.

Mantilla: The antinarcotics campaign has two levels: to repress the sale of PBC [Basic Cocaine Paste] in the cities and to eliminate production.

[Question] Is the user punished?

Mantilla: There are different rules for minors who use drugs and adults who do. However, the repression is aimed basically at the distributor who is the criminal.

[Question] Is use widespread in the cities?

Mantilla: Yes.

[Question] How can this distribution be stopped?

Mantilla: Roundups are carried out three times a week in places where it is known that there are distributors.

[Question] Are these operations only against drugs?

Mantilla: The PIP and the GC frequently coordinate on operations in a certain zone of the city. All vehicles and suspicious people are searched. The results have been positive. Vehicles with stolen motors, unlicensed weapons, explosives and PBC have been found. This combing operation is yielding good results and is a preventive measure.

[Question] Have there been operations in the PBC production centers?

Mantilla: Yes, but in order for these to succeed, information cannot be given on them. The drug traffickers do not stop their criminal activities; therefore, the police work does not end. It is constant.

[Question] Does even the Colombian police collaborate with the Peruvian Police?

Mantilla: Yes, and effectively.

[Question] Why are Colombian helicopters used instead of the Peruvian Air Force helicopters?

Mantilla: Due to the geographic location of the laboratories and, therefore, the airports of the drug traffickers. The Peruvian helicopters are in Iquitos; it would take 2 hours to reach our targets. However, the Colombian helicopter base is only 8 minutes away. This is the only reason.

(Mr Mantilla leaves.)

[Question] Will the radio patrol service in the city improve?

Salinas: We were given an organization with 20 operating patrol cars for a city of 5 million inhabitants. We have added 21 more patrol cars that are working at this time. Starting tomorrow, Monday, 40 more units will be incorporated. We are going to patrol the city day and night. The patrol cars will work in coordination with the helicopters in order to provide greater security to the citizenry.

Collaboration with the United States

[Question] What can be said about U.S. aid in the fight against drug traffic?

Salinas: That it is disproportionately...low. There is no relationship between the harm that the people of the United States suffer because of cocaine and the investment it makes to eradicate this crop in such an important production center as Peru.

[Question] How is this ratio measured?

Salinas: The people in the United States pay about $10 billion to supply themselves with cocaine. This is what the consumers spend in the United States. But the government in Washington wants to put an end to cocaine production by sending $2.5 million [as published] a year.

[Question] How much do the Peruvian drug traffickers receive?

Salinas: National production of PBC at the price in the production zone is estimated at $2 billion.

[Question] Can you indicate the extension of the crops?

Salinas: In the Alto Ucayali and Huallaga zone, 150,000 hectares were used to grow coca. Now that has increased to 200,000 hectares.

[Question] How are the $3.5 million from the United States used?

Salinas: Traveling expenses, fuel, uniforms...and for the Cora Plan to convert coca fields into fields for food crops. With this amount of aid, there is very little that can be done. It is like trying to win a battle with arrows while the enemy has sophisticated equipment.

Invasions

[Question] How are we doing with the invasions?

Salinas: We are going to continue acting within the law. No one can invade because he wants public or private property. There are political agitators who want to win followers through invasions. There are businessmen who earn fortunes encouraging invasions. There are people who need land in order to have a roof over their heads.

Invasions have increased between July and September.

Prefects

[Question] Is it necessary to be Aprista in order to be a prefect or subprefect?

Salinas: It is not necessary. However, the prefect is the representative of the president in the department and the president is Aprista. Therefore, it is not unusual for a prefect to be Aprista.

[Question] Has the authority of the prefects been reestablished?

Salinas: Yes, a few days ago a National Convention of Prefects was held.

[Question] What did they agree on? Political missions...?

Salinas: Mainly they coordinated a national plan to defend consumers. It is necessary to defend the people's market basket. That was the main mission....

[Question] Minister, my last question is: Is there smuggling of firearms...?

Salinas: No, not in any appreciable volume. There is theft of firearms, theft of explosives....You have ended the interview. The doors are always open for expansion on any information.

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CSO: 3348/129

NEW STUDIES DISAGREE ON CURRENT NUMBER OF PUBLIC ENTERPRISES

Lima EL COMERCIO in Spanish 20 Oct 85 p F-1

[Text] The question of the state enterprises has led to more than one debate in recent years. The strangest or most disconcerting aspect, however, is that few people knew the exact number of enterprises or the amount of state assets involved in business activities.

Since the current government came into power, the reactivated CONADE [National Development Corporation] proposes to do something based on studies already done or preliminary studies.

In a recent seminar sponsored by CONADE and the World Bank, the president of CONADE, Manuel Romero Caro, revealed plans to group the state enterprises into three conglomerates to facilitate planning, coordination and management of the enterprises as well as the annual programming of public investments and reinvestments based on the state's business policy.

In other words, CONADE's work will be easier because of the concern of different private academic circles and groups.

This week two groups will release books that can be considered the first little candles to shine in the darkness of the immense cavern of the public enterprises.

On Monday, 21 October, the CPIA [Peruvian Center for Applied Research], jointly with the Institute for Latin American Studies of the University of Texas in Austin, the Central Reserve Bank and the Friedrich Ebert Foundation, will release a book containing the discussions it held last May. International expert Alfred Saulniers and skilled commentators like Armando Gallegos, Alonso Polar Campos, Rodrigo Cepeda, Tulio de Andrea and Felipe Ortiz de Zevallos participated in these discussions.

It has been reported that the ceremony will be held in the Studium Bookstore.

The next day, the Economic Development Institute of ESAN [Advanced School of Business Administration] will release another thought-provoking book: "Economic and financial map of the business activities of the Peruvian state." This is the product of the research under the Public Administration Project, part of the agreement between ESAN and the Ministry of Economy and Finance with financing from the World Bank. The ceremony will take place at 7 pm in the auditorium of ALIDE [Latin American Association of Financial Institutions for Development].

The president of COFIDE [Financial Development Corporation] Investments, Lino Abram Cavallerino, and Jose Salaverry Llosa, financial development adviser for MEF, will make the presentation. The head of the project, Armando Gallegos, a professor and ESAN researcher, will then speak.

Discrepancies

There are numerical discrepancies in the data of CONADE, ESAN and the CPIA.

To CONADE, the bulk of the state enterprises is made up by 16 enterprises out of a total of 150, representing 18 percent of the PBI [Gross Domestic Product].

The CPIA book is characterized by a wealth of reflections and discussions and in-depth treatment of very controversial cases like PESCAPERU [State Fishmeal and Fish Oil Production Agency] and the Peruvian Shipping Corporation.

Saulniers' opinions are included.

The U.S. expert pointed out confusions in price policies, the lack of coordination between the public enterprises and the central government, relations between the enterprises and other delicate matters. He also discussed what he calls the **philosophical problems** under the military regime.

Saulniers noted: "There was no agreement on what constitutes a public enterprise for regulatory purposes. Neither was there agreement about the objectives of the state's participation in different sectors of the economy and there was no agreement on the scope of the activities of the public enterprise....Finally, disagreement persisted as to the model for control of shares, policy decisions, institutional organization, investment, production levels, financing, distribution of profits and preparation of budgets. In short, there were very few areas of agreement on the philosophy of public enterprises which causes major policy problems. There is confusion about the objectives of the enterprise, no coordinated and solidly based price structure for the public enterprises, confusion about measures of control and government inertia in regulating the shares of the public enterprises."

The ESAN work confirms **Saulniers'** reflections.

Saulniers verifies ideological discrepancies. The ESAN group, made up by Gallegos and experts Amparo Lozano Tello, Jhony Pacheco Medina, Carlos Vega Bocanegra and Ricardo Madueno Diaz, dissects the empirical evidence and assembles the puzzle starting from scratch. Therefore, the title **map** could not be more precise.

Assembling the Puzzle

The conclusions of the ESAN team are shocking.

1. Between 1968 and 1982, the AEE [State Business Activity] grew 6.6 times in number, going from **29 to 192 enterprises.**

2. The relative weight of the assets of the AEE with respect to the PBI grew approximately 2.4 times between 1968 and 1982, from **12 percent to 28.6 percent. This expansion implies an average annual rate of growth of 6.4 percent.**

3. The ratio of shares to the PBI increased from 47 **percent to 94 percent** between **1968 and 1982. The annual rate of growth was about 5 percent.**

4. The number of enterprises with state participation varies frequently due to:

a) Mergers of two or more enterprises into one unit.

b) Splitting one enterprise into several.

c) Liquidation or transformation of an enterprise.

5. The mechanism of a "temporary clinic" for enterprises has not worked since there are no recorded cases where the state has withdrawn once it has acquired ownership of an enterprise. State participation in ownership has gone down sometimes, but there has never been a complete withdrawal.

6. **The number of enterprises in the AEE went from 29 to 192 between 1968 and 1982; that is, there was an increase of 163 enterprises.**

7. The increase in number did not always mean growth of the state system since 10 of the 163 enterprises mentioned were branches of the central government in 1968.

8. **More than 50 percent of the growth in number of enterprises (84 of the 163) meant a transfer of resources from the private sector to the public sector. Some 26 enterprises were expropriated, another 5 were absorbed through rescue operations and 42 others went to the AEE by the "chain effect."**

9. The growth in the number of enterprises only generated expansion in the Peruvian economic production system in the case of the 46 new enterprises created by the state. The rest entailed a transfer of resources between sectors--from the central government and the private sector to the AEE.

10. The growth of 163 enterprises was directed, first of all, at the primary sector which had an expansion of 933 percent, going from 3 enterprises in 1968 to 31 in 1982. Second was the service sector which grew 60 [as published] percent from 15 to 106 enterprises. The secondary sector experienced an increase of 400 **percent, from 11 to 55 enterprises.**

11. The tertiary sector that made up 52 percent of the total in 1968 increased its participation slightly to 55 percent in 1982. The primary sector showed an increase of 10 to 16 percent of the total which made the secondary sector go down from 38 percent to 29 percent.

12. The percentage growth in the number of enterprises was directed primarily toward the trade and tourism sector. It went up 1,500 percent from 1 enterprise in 1968 to 16 in 1982. In second place was agriculture and fishing which grew 1400 percent from 1 to 14 enterprises. The mining and oil sector with 900 percent growth--from 2 to 20 enterprises--came third.

13. According to the CIUN [UN Industrial Classification], the three most important sectors in 1968 were the manufacturing industry with 39 percent; finances and insurance with 21 percent; and electricity and water with 14 percent. In 1982, the manufacturing industry and finances and insurance were in first place, each with 27 percent. The sectors of mining and oil and transportation, storage and communications were in second place, each with 10 percent of the total enterprises.

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BRIEFS

PRICE REGULATION OFFICE CREATED--In order to make the regulation and administration of prices consistent, the government will open the Interministerial Secretariat for Prices and Supply next week. Gustavo Saberbein, deputy minister of economy, explained that this step has been taken, recognizing that there are certain consumer products that are governed by supply and demand. The regulation will affect the enterprises that, for environmental reasons, have cost increases that force them to raise their prices. It also applies to agricultural-livestock and fish products since they are perishable. Saberbein added that this secretariat which will be under the Ministry of Economy and Finance will guarantee the supply of the most important products that the people consume. He noted that the efforts that have been made concerning prices will be consolidated and all the sectors, including the businessmen and industrial and rural workers, will be committed to this. The economic team met yesterday in a suburban hotel to coordinate the creation of that secretariat. Six ministers, including Prime Minister Luis Alva, participated. [Text] [Lima EL COMERCIO in Spanish 20 Oct 85 p A-1] 7717

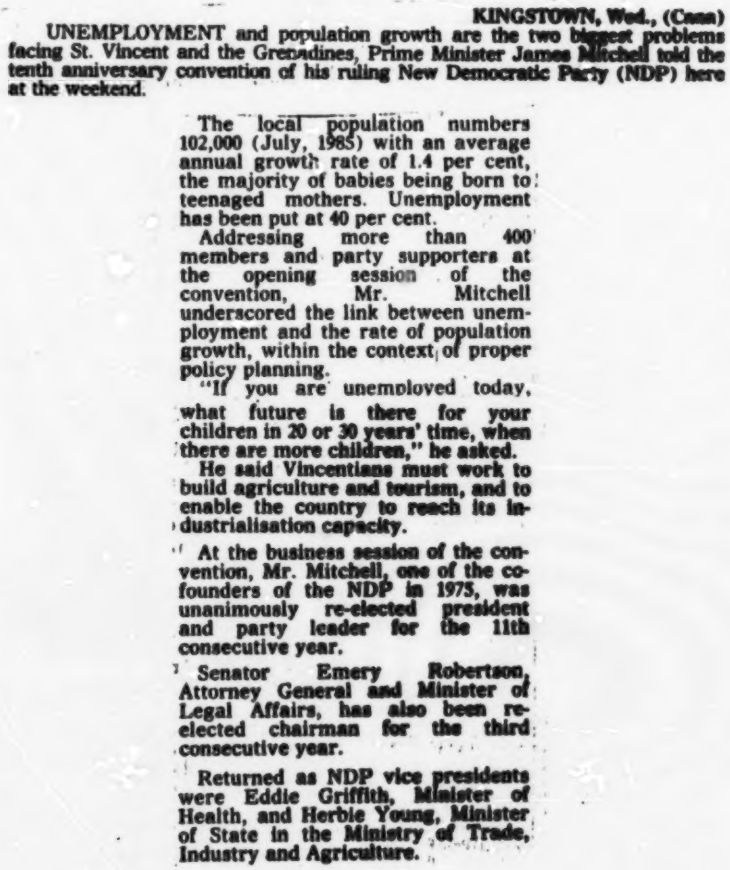
FOOD IMPORTS; BUREAUCRATIC GROWTH--Minister of Agriculture Mario Barturen told the Senate last night that Peru will import some $400 million this year just in oils, fats, corn and milk products. In the last 5 years, our country has imported food costing $2,566,000,000 while it exported agricultural-livestock products worth $1,008,000,000. The minister went to the Senate to give a report on the agricultural situation in the country. Barturen complained about the decrease in credit for the rural area which went from 105 billion soles in 1980 to 74 billion in 1984. He added that 60 percent of that credit goes to the coast, 14 percent to the mountains and the rest to the jungle. In his 30-minute report, the minister alluded to irregularities in the ProCompra Project and in the Agricultural-Livestock Sectorial Program Special Project. He announced that these will soon be taken to court so that responsibilities can be defined and the guilty parties punished. He also referred to the enormous bureaucracy under the last government. He said that there were 10,500 workers in Lima alone of whom only 1,720 were professionals. At the national level, the agricultural bureaucracy includes 25,270 workers. He also added that the deficit in the sector will reach 248 billion soles this year. As to the possibilities of expanding the agricultural frontier, Barturen said that Peru has 128 million hectares of land but only 8.8 percent is cultivable. The rest is only used for forestry, pasture and protected areas. He also revealed the negative and positive aspects of the so-called parceling of land under the Agricultural-Livestock Promotion Law that the previous government promoted. [Text] [Lima EL NACIONAL in Spanish 18 Oct 85 p 3] 7717

CSO: 3348/129

MITCHELL ADDRESSES PARTY'S 10TH ANNIVERSARY MEETING

Port-of-Spain TRINIDAD GUARDIAN in English 5 Dec 85 p 5

[Text]



KINGSTOWN, Wed., (Cana)

UNEMPLOYMENT and population growth are the two biggest problems facing St. Vincent and the Grenadines, Prime Minister James Mitchell told the tenth anniversary convention of his ruling New Democratic Party (NDP) here at the weekend.

The local population numbers 102,000 (July, 1985) with an average annual growth rate of 1.4 per cent, the majority of babies being born to teenaged mothers. Unemployment has been put at 40 per cent.

Addressing more than 400 members and party supporters at the opening session of the convention, Mr. Mitchell underscored the link between unemployment and the rate of population growth, within the context of proper policy planning.

"If you are unemployed today, what future is there for your children in 20 or 30 years' time, when there are more children," he asked.

He said Vincentians must work to build agriculture and tourism, and to enable the country to reach its industrialisation capacity.

At the business session of the convention, Mr. Mitchell, one of the cofounders of the NDP in 1975, was unanimously re-elected president and party leader for the 11th consecutive year.

Senator Emery Robertson, Attorney General and Minister of Legal Affairs, has also been re-elected chairman for the third consecutive year.

Returned as NDP vice presidents were Eddie Griffith, Minister of Health, and Herbie Young, Minister of State in the Ministry of Trade, Industry and Agriculture.

/8309
CSO: 3298/189

MITCHELL EXPLAINS POLICIES REGARDING FOREIGN FIRMS

Kingstown THE VINCENTIAN in English 15 Nov 85 p 1

[Text]

The Prime Minister the Rt. Hon. James Mitchell addressed the people of St. Vincent and the Grenadines on Friday of last week.

Mr. Mitchell explained the reasons for extending the duty free period given the East Caribbean Flour Mills Ltd. He pointed out that not to have taken that action would have been (1) unfair to the joint Vincentian–Canadian enterprise since newer entrepeneurs with less capitalization were getting the 15–year–tax free holiday, (2) contrary to the principle of the harmonising of regional fiscal incentives agreed by CARICOM and (3) endangering to the chance of further investment by ECFM and consequent employment opportunities.

Further the company qualified for the concession by employing over 150 persons and the local value added was $12.5 million annually.

The Prime Minister also referred in his broadcast to doubts regarding the integrity of TVIND (the Danish Company which had established the Richmond Vale Academy and subsequently joined with so–called local interests to negotiate the purchase of Orange Hill. Mitchell told of a visit from the Danish Ambassador at which the matter was discussed. He also quoted from a letter from the Ambassador expressing the dislike of the Danish Government for the operations of TVIND School in St. Vincent. In addition he read a letter which had been addressed to him by a private Danish citizen, a biologist, which shed doubt on the honesty of the Danish Company's enterprise in St. Vincent, and revealed the disgust of the ordinary people of Denmark with the TVIND operations here.

/8309
CSO: 3298/189

MNU LEADER GONSALVES GIVES VIEWS ON VARIOUS ISSUES

Kingstown THE VINCENTIAN in English 25 Oct 85 p 16

[Text] At a press conference on Monday the 21st October the Leader of the Movement for national Unity (MNU) Dr. Ralph Gonsalves presented his views on a number of issues.

The MNU is celebrating its 3rd Anniversary with 2 weeks of activities on the theme "Unity, Remembérance, Continuity and Change".

The programme began last Sunday with an Ecumenical Service at Union House. The MNU, in commemoration of the 50th Anniversary of the 1935 Uprising and part of its activities, has published a 50—page pamphlet, "The Mc Intosh Trial and the 1935 Uprising" in rememberance to what the party claims was the political education derived from the 1935 experience. The party hopes to distribute this pamphlet to Primary and Secondary Schools. Other functions of the MNU anniversary will include a panel discussion on November 1st on the Life and Times of George Mc Intosh and a rally on the 30th of October.

MNU DEMANDS SUGAR INDUSTRY DATA.

Gonsalves has called on the Prime Minister to publish last year's accounts of the Sugar Industry and the records of that industry. Gonsalves also wants consultation, national debate and national dialogue which Mitchell had promised when he took office in July 1984.

Gonsalves said that the Prime Minister had not kept his promise not to take a final decision in respect to the sugar industry without national dialogue and consultation. He noted that according to reports, the industry for the first time in 4 years of operation had made an opérational gain of 1.3 million dollars. This would be available to service the loan at the National Commercial Bank and pay some of the interest of 1.9 million dollars. In addition a number of steps had been taken in the industry to make it more efficient. Gonsalves explained that in the past the industry needed 11.5 tons of cane to produce 1 ton of sugar and in the last crop the rates was 10.3 tons of cane to 1 ton of sugar. Wages had also showed a decrease from $600,000 to $400,000

The MNU leader is of the opinion that by the year 2001 the entire debt of the sugar industry would have been liquidated. However, Gonsalves feels that it's not too late to bring back sugar to co—exist with the Winter Vegetable Project.

EXCESSIVE TRAVELLING BY MINISTERS

Gonsalves, has demanded a full account of the trips made by all members of government since July 1984, when the NDP government took office. Gonsalves said so as to come to a proper assessment as to whether such trips are necessary.

Gonslaves claimed at the press conference that Ministers are travelling very frequently and one cannot see an upswing in the economy. In spite of Tourism Minsiter John Horne's numerous travels to boost tourism there has been a fall in cruise ships visits.

At the time of the conference 5 government

Ministers were out of the State.

MNU RESPECTS THE FLAG BUT NOT HOW IT WAS CHOSEN

As a mark of protest against the manner in which the national flag of St. Vincent and the Grenadines was chosen by the Prime Minister, the MNU stayed away from the Flag Raising Ceremony last Monday, Gonsalves told the press. The party had received an official invitation. However, Gonsalves said that though the MNU felt that the changing of the flag was unnecessary he thought it necessary to pass legislation to prevent its debasement. MNU is in total disagreement with the St, Vincent Labour Party in not paying allegiance to the flag and for saying that if and when they return they will change the flag to the original one initiated when the country received its independence.

Gonsalves said that his party does not see the flag as a suit to be changed every now and then. He said we would be making ourselves a laughing stock among civilised people of the world. It is the only flag we have which has been approved by her Majesty Queen Elizabeth 11 and his party would pay allegiance to it, Gonsalves declared.

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CSO: 3298/189

ST VINCENT AND THE GRENADINES

BRIEFS

YOUTH COUNCIL OFFICERS--Arthur Bobb has been re-elected President of the National Youth Council of St. Vincent and the Grenadines. The council held its annual general meeting last week end and twenty-four of the over fifty youth organisations affiliated to NYC were represented. Other members of the Executive are: Junior Bacchus, and Andrew Simmons--Vice Presidents; Jimmy Forde, Godfrey Samuel--Secretary; Patricia James--Assistant Secretary General; Margaret Cumberbatch--Recording Secretary; Aubrey Burgin--Treasurer; Jimmy Prince--P.R.O.; Brian Benn and Michael Cordice--Committee Members; Hollis Christopher--Chairman of the Conference of Delegates. [Text] [Kingstown THE VINCENTIAN in English 25 Oct 85 p 11] /8309

CSO: 3298/189

OPPOSITION APPROVES BUDGET; DEFICIT TO INCREASE 60 PERCENT

Montevideo EL DIA in Spanish 24 Oct 85 p 7

[Text] With the votes of the opposition parties, the Senate passed a General Spending and Revenues Budget Tuesday. The budget increases the deficit forecast by the administration for 1986 and creates new taxes. The Colorado Party delegation systematically voted against these amendments, indicating that the new taxes conspire against improvements in the real wage and efforts to control inflation. The objections of the ruling party came up against the 17 opposing senators, 11 from the Blanco Party and 6 from the Broad Front, who managed to outvote the 14 Colorado Party senators on the controversial issues.

The budget was passed with the additional clauses that the National Party and the Broad Front managed to ram through after a marathon final session that lasted 12 hours. The budget bill now goes to the Chamber of Deputies, where the opposition delegations can marshal a majority with 9 votes more than the Colorado Party vote. This could make it difficult to eliminate the new taxes approved by the Senate. The deputies have 45 days to approve the budget package.

Government sources estimated that the new items inserted by the ad hoc alliance between the Nationalists and the Broad Front without adequate financing will raise the budget deficit from the 24 billion new pesos proposed by the administration to nearly 40 billion new pesos, an increase of about 60 percent.

New Taxes

During the general discussion of the bill, which took place between Monday night and early Tuesday morning, the National Party gave notice that it would propose adding 15.3 billion new pesos to the budget items in the administration's package. It also announced that it was willing to finance this increase through new taxes.

When debate resumed Tuesday afternoon, the senators moved right on to the consideration of the agencies' budgets, for which the spending increases proposed by the Blanco Party senators were intended. Three positions were staked out: that of the Colorado Party, which favors keeping the budgets the way the administration proposed them; that of the Broad Front, which advocates giving these agencies 100 percent of what they requested in their original budgets and in many cases doubling the allotments; and that of the National Party, which calls for partial increases.

The Blanco Party's proposal can be summed up as an increase of 8 billion new pesos in the funding earmarked for education, 2 billion more for public health, 3 billion more for the University, and less than 500 million new pesos each in additional allocations for the Supreme Court, the Electoral Court, the Controller of the Currency and the Administrative Law Court.

Blanco Party-Broad Front Alliance

It took most of the session, which ended at 0300 hours yesterday, to deal with this matter and the proposed taxes to finance these unexpected budget outlays; the remaining articles were voted on quickly.

The Broad Front joined up with the Nationalists, and the combined votes of the two delegations were enough to push through the new budget items and the projected taxes.

With systematic opposition from the Colorado faction, the Senate introduced various taxes in a budget that had no new taxes when the government initially proposed it. These levies include a fee for lawsuits, a primary tax that differs substantially from the one taxpayers had to pay in the past, an increase in the tax on the sale of foreign currency, a fee for contracts issued by autonomous entities and decentralized services, the reinstatement of the inheritance tax, and new levies on the sale of cigarettes and alcoholic beverages.

The amendment to raise import taxes, which the Blanco Party projected would raise 3 billion new pesos, or one-fifth of the increased spending in the budget, failed without the support of the Broad Front. The leftist coalition agreed with the Colorado Party that the burden of this tax would fall on the shoulders of the majority of the population because it would go hand in hand with increases in the prices of raw materials, mainly fuels.

Batlle: Protection

The principal objections by the Colorado faction to this additional tax burden, which was approved by the Senate with a majority vote by Blanco Party and Broad Front senators, focused on the casual attitude with which it was proposed and approved, without consideration for its consequences.

Senator Jorge Batlle, explaining his vote against the measure, contended that Uruguayan society is not in a position to pay these taxes, and that "we must protect the country, through some constitutional means, against a blow of this kind."

Batlle's words were interpreted by some opposition senators as a threat of a possible veto of the budget by President Julio Maria Sanguinetti if

Parliament does not take steps in the next few sessions to correct its course in this regard.

"We have merely tried to finance the added funding for education and health with genuine resources, since we felt these essential items were being ignored by the government," stated Blanco Party Senator Luis Alberto Lacalle.

Free Play

Senator Francisco Rodriguez Camusso (Broad Front) stated that in the free play of democracy, opposing political organizations had reached an agreement on a draft budget that did not satisfy them. He added that his party will propose financing formulas in the Chamber of Deputies, reiterated his agreement with the results of the Senate's session, and warned that he would oppose any budget that gives priority to security agencies to the detriment of other sectors.

The discussion of the budget package was carried out by sections and chapters in order to streamline processing. Many articles were singled out for comment, and the chair proposed separate votes on them.

In the end, the Colorado Party was unable to win support for its measure to keep intact the text of the articles proposed by the administration. It also called for outlays for the Mortgage Bank of Uruguay (4.052 billion pesos) and the 1986 Emergency Solidarity Plan (881 million pesos); the first item was cut in half on the initiative of the Blanco Party, and the second was eliminated.

Colorado Senator Americo Ricaldoni stated that cutting funds for the Mortgage Bank of Uruguay (BHU) will mean that 2,000 fewer homes will be built in 1986 for low-income families. When opposition senators justified the cuts, claiming they were unwilling to have the funds restored in the Chamber of Deputies if cuts were made in other areas, the president of the Chamber, Enrique Tarigo, stated: "They robbed Peter to pay Paul, and the reason may not have been very moral."

8926
CSO: 3348/163

COUNCIL OF MINISTERS DRAWS PLAN TO REDUCE UNEMPLOYMENT

Montevideo EL PAIS in Spanish 25 Oct 85 p 11

[Text] The meeting of the Council of Ministers that was convened by the president of the republic to deal with the sensitive issue of unemployment reportedly resulted in a proposal, presented yesterday, to make one of the primary objectives of medium-term policy the reduction of unemployment and underemployment by nearly 14 points. This would entail reabsorbing workers into production, increasing worker productivity, or creating productive jobs for 160,000 people in the labor force in 5 years.

The information we obtained indicates that as an initial step, the situation was assessed with the use of figures that revealed a very severe problem: 32.7 percent of the workforce, a total of 351,000 people, are unemployed (144,000) or underemployed (207,000); the situation has worsened considerably in the past 3 years, as between the end of 1981 and the end of 1984, about 150,000 people lost their jobs.

The proposal would involve a gradual reduction of unemployment from the present 13.4 percent to about 8 percent by 1990.

Coordination of Sectors

To achieve these objectives, the proposal drawn up by the Labor Ministry in conjunction with the Office of Planning and Budget contains specific initiatives designed to reactive the sectors in a coordinated manner (an element that was already mentioned in the National Dialogue), primarily in the sectors that are considered of vital importance to the Uruguayan economy.

In this regard, the proposed coordination would include not only wages and prices, but also objectives for production, investment, sales on foreign markets, and expanded production. It was noted that in no way does this coordination imply abandoning efforts to curb inflation.

The proposal, which will be studied by the various ministries, also calls for actions aimed at generating foreign exchange earnings and employment through two channels: the production of exportable goods, and national production designed to compete with imports.

Another priority to ensure that foreign currency earnings generate more jobs would be to use that foreign exchange primarily to promote the reactivation and growth of the economy.

State Investment

Another topic reportedly covered in the proposal is the plans for public investment. In this connection, a study was made to determine the direct and indirect effects of this investment on employment. This should enable public agencies to have access to these forecasts before deciding what investments to make; employment will thus be included among the key elements in the decision-making process.

Naturally, the question of the reactivation of firms that have been paralyzed completely or partially by indebtedness has a direct impact on the jobless problem. For this reason, the proposal stresses the need to relate the issue of refinancing to the employment situation, taking into consideration the characteristics of the activities that have the greatest impact on employment, both direct and indirect.

Similarly, the proposal calls for linking the future Corporation for Development to the creation of jobs, following similar criteria in providing incentives to businesses.

The matter of public spending and its influence on employment is also included in the proposal that was submitted yesterday, with an indication of the need for an estimate of the effects of this spending on the jobless rate, and suggestions for enhancing that impact.

One of the issues given particular attention in the proposal is sufficient coordination of small, medium and large businesses, since this makes it possible for investment and the expansion of production by large firms to have an immediate impact on other businesses.

To achieve its stated objectives, the proposal recommends actions such as the creation of a program to reopen and rehabilitate small businesses in the interior of the country, a national program to support small and medium-sized businesses, a program of selective support for informal micro-businesses, and a program to transfer goods and services to the deprived sectors of the population.

Commission and 8 Subcommittees

This is the basis for the proposed creation of a National Employment Commission, which would coordinate policy. It would be chaired by the Labor Ministry and made up of permanent representatives from Planning, Economy and Finance, Industry and Energy, Agriculture and Fishing, and Transportation and Public Works. Non-permanent representatives would be delegates from ministries and public agencies not listed above.

Finally, the proposal also calls for the formation of 8 subcommittees, which would work on previously specified areas, in accordance with their titles:

1) Reactivation and Employment; 2) Public Spending and Employment; 3) Internal Refinancing and Employment; 4) Corporation for Development and Employment; 5) Income Policy and Employment; 6) Small and Medium-sized Businesses; 7) Rehabilitation of Small Businesses in the Interior; and 8) Transfers to Deprived Sectors.

The ministers and the president himself began yesterday to study the overall proposal, and over the next few days, after they have taken positions on it, the Council will meet again and continue its deliberations on this vital issue.

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CSO: 3348/163

ZERBINO REJECTS CHANGES IN REFINANCING BILL

Montevideo EL PAIS in Spanish 25 Oct 85 p 8

[Text] Senator Carlos Julio Pereyra called into question certain aspects of the bill on the refinancing of the domestic debt, which the Senate Finance Committee has begun to study.

Meanwhile, Economy and Finance Minister Ricardo Zerbino stated that if the bill has already been approved by the House of Representatives, there should be no talk of changing its contents, since an agreement was reached to make its passage possible.

Pereyra, who already made the headlines in connection with his opposition to the initiative approved by the Chamber of Deputies, stressed the interest compounding transactions that must take place before refinancing.

The Senate Finance Committee, which is chaired by Quincist Senator Jorge Batlle, met yesterday at 1000 hours to formally accept the domestic debt refinancing bill and the Corporation for Development bill. Minister Zerbino had been invited to witness the receipt of the bills as a guest.

Zerbino Interview

EL PAIS interviewed the economy minister after the session. He stated that "a general and preliminary presentation was given on the scope of the refinancing of the debt of our country's industrial, agriculture and livestock, and commercial sectors."

"We reiterated our position, which was explained to the representatives when the bill was in committee in the Lower House. We exchanged opinions with the senators on this matter, and I hope we have another similar meeting," stated Zerbino.

The minister indicated that the $20,000 cap on indebtedness for agricultural, industrial and commercial producers was not discussed in the committee. Rather, "I merely presented a general analysis, and there were comments from different members of the committee."

Zerbino argued that when this bill was being debated by the Chamber of Deputies, a political agreement was reached to enable its passage. "That is the administration's position, and we understand that that agreement should be kept," he asserted.

When asked if the Colorado Party is inclined to introduce any amendments to the initiative, Zerbino replied that "it is not a question of whether or not amendments will be allowed. Things should not be viewed in those terms, but rather in terms of whether or not there was an agreement. If there was a political agreement, then I see no reason why we should think of modifying it. Right?"

Viable Proposals

He repeated his conviction (which is shared by the administration) that the bill is sufficient as it stands; it provides for all cases of indebtedness by agricultural, industrial and commercial producers that are economically viable or that deserve special consideration for social reasons. The minister does not agree with the points made by rural associations in this regard, and contended that the project "represents the government's best effort to deal with very reasonable situations. From the beginning, we have made it very clear that certain situations are untenable," stated Zerbino.

The minister declined to comment on the tax program that was included in the general budget for national spending, since he had not yet obtained the verbatim record of the last session of the Upper House.

He also said he had no new information on the percentages of rate increases for public services that will take effect next month.

In addition, Zerbino stated that he had personally delivered to Senator Carlos Julio Pereyra of Rocha the report he had urgently requested on statements made by the economy minister upon returning from his extensive trip to the United States, Europe and Asia. In those remarks, he admitted that financial sources had expressed their concern at the failure to refinance the domestic debt.

"I personally gave Senator Pereyra a copy of the report, and I am at the Senate's disposal at any time to go into more detail on it," he explained.

"No Interference"

When asked about the details of his conversations abroad, Zerbino revealed that "I understand there has been no kind of interference. We only heard expressions of concern and interest in the government's progress on the issue, and in the projected dates for completion of the process. I want to clarify that there was no intereference or suggestion of any kind, or anything of that nature."

When Senator Carlos Julio Pereyra was asked about the matter, he stated that the necessary amendments will be made to the refinancing bill, and he expressed hope that an instrument that will serve the desired ends can be formulated.

He indicated his desire for a bill that will be compatible with the situation of agricultural, industrial and commercial producers, one which will help them out of the plight they are in now.

"For me, the difficult thing is not the time periods or the interest rates that will be charged in the future; it is the interest compounding transactions that are undertaken prior to refinancing. The refinancing is scheduled to begin in October, but before then the debts will rise considerably as a result of the capitalization of very high interest rates. I believe, therefore, that if we can find a way to prevent the debt from growing like this, then we can create a situation in which these obligations can be met," said Pereyra.

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END

JPRS-LAM-86-003

6 JANUARY 1986

Latin America Report

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EEC AGREES TO DEFICIT BALANCE OF ANDEAN GROUP EXPORTS

Lima EL COMERCIO in Spanish 31 Oct 85 p A-8

[Text] The assistant director of foreign relations of the European Economic Community (EEC), Jose Loeff, stated yesterday that the EEC member countries will allow a deficit in their balance of trade with the Andean Group as long as Bolivia, Colombia, Ecuador, Peru and Venezuela continue to suffer difficult financial straits.

Loeff, participating in the seminar titled "Prospects for Cooperation between the European Community and the Andean Group" that concluded yesterday, stated that the European Common Market is open to exports from the Andean countries.

"We understand your difficulties, and we are aware that the decline in your purchases from Europe is the result of your adjustment programs," he stated during the press conference he held at the headquarters of the Cartagena agreement.

He noted that the average Andean-European trade, in both directions, amounts to some $8 billion per year; he revealed, however, that in 1983 and 1984 the trade deficit with the EEC was $2 billion, after 15 years of balance.

Andean Pact statistics indicate that between 1970 and 1983, Peruvian exports to the EEC totaled $6.009 billion, while imports during that same period amounted to $5.972 billion.

The European Common Market, which is the principal buyer of Peruvian textiles, is made up of the Federal Republic of Germany, Belgium, Denmark, France, Great Britain, Greece, Holland, Italy, Ireland and Luxembourg. Next year Spain and Portugal will be added to the list.

Technical Cooperation with Andean Group

Loeff declared that the EEC intends to maintain its technical cooperation programs with the Andean Group, which in the last 5 years have represented a contribution of $180 million.

DEVELOPMENTS LEADING UP TO ELECTION, AFTERMATH REPORTED

NLP 'No' to PLP Link

Hamilton THE ROYAL GAZETTE in English 21 Sep 85 pp 1, 3

[Text] National Liberal Party (NLP) officials yesterday firmly rejected calls from a shadowy pressure group for an election alliance with the Progressive Labour Party (PLP).

A mystery group is urging the two Opposition parties to form a pact and warns they could split the anti-Government vote giving Premier the Hon. John Swan a landslide election victory.

But NLP officials hurriedly dismissed the plea for an alliance while the PLP promised the proposal would be considered by their powerful Central Committee.

The committee to affect a coalition drew up a detailed list of advantages and disadvantages of an alliance at a brainstorming session.

The group, which is believed to include Amalgamated Bermuda Union of Teachers president Mr. Glenn Fubler, decided it needed no name as it represented members of all Opposition forces.

A memo on the meeting, drawn up by the group's recording secretary, adds if South African businessmen can meet with African National Congress leader Mr. Oliver Tomba then the PLP and NLP can certainly meet.

The group is thought to have developed after the success of the Anti-Apartheid Coalition which has drawn together the two Opposition parties and major unions.

Their document lists nine disadvantages to failing to coalesce, including the possibility the UBP will win the PLP strongholds of Devonshire North, the seats of PLP leader Mrs. Lois Browne Evans, and deputy leader Mr. Frederick Wade.

But it adds an advantage of no coalition is that: "John Swan gets an opportunity to head an all-black government with real advantages for the upwardly mobile black."

Last night Mr. Fubler refused to comment, but added: "I'm not denying I'm a part of the group."

The group is believed to have been formed because of fears the newly-formed NLP will tear apart both Opposition parties.

Expelled PLP dissident Mr. Calvin Smith said the group's organisers had talked to him, but he insisted he was not involved.

"People have asked my opinion about it, but I'm not behind it. I think it's very sensible and I'm happy to think somebody out there has got some sense, and I hope they don't give up.

"I would certainly be happy to offer my assistance if they want it."

He said the group wanted to remain unidentified and would probably be upset by the publicity.

NLP spokesman Mrs. Kathleen Bell said: "The National Liberal Party is not going to form a coalition, alliance, call it what you may, with any other political party in order to win seats in the next General Election."

She said a document, which was not addressed, signed or attributed to any group of people, was simply left at the home of party chairman Mr. Clyde Bassett.

"The objective of this communication seems to be based on the continued polarisation of the races in Bermuda, and a call for political extremism.

"We will stand as one party in the next election. We will run our own candidates and the people will know exactly where we are coming from, and where we intend to go."

PLP public relations officer Sen. David Allen said: "The PLP was approached by a representative of that group who gave us a written document outlining their aims and objectives, and it's something that will be dealt with by the Central Committee."

The document was given to party chairman Mr. Alex Scott.

"We know some of the individuals involved and we know they have been concerned about the fragmentation of the Opposition forces in Bermuda."

NLP Fund-Raising

Hamilton THE ROYAL GAZETTE in English 1 Oct 85 pp 1, 2

[Text]

The National Liberal Party yesterday launched a campaign to woo financial support from businessmen who have traditionally funded the United Bermuda Party.

Treasurer Mr. John Rankin said the fledgling party would be writing to local companies asking for cash and explaining an alternative political party was essential for democracy.

He promised all donations over $500 a year would be listed in accounts publicly available, although the party would happily accept anonymous contributions.

The chartered accountant who has been picked as an NLP candidate for the marginal St. George's North constituency has already challenged other parties to reveal their figures.

Now letters are to be sent to all local businesses seeking contributions to help set up the new third party.

Mr. Rankin said: "If they want a democratic system in Bermuda people are going to have to contribute to it. If you contribute to just one political party democracy will not survive."

The party's three-pronged cash-raising approach is to ask for help from its own members, businessmen and the community generally.

The letter to businessmen will say the NLP supports legislation carefully spelling out regulations for fund-raising and party expenditure.

It adds: "We know that many businesses in Bermuda have traditionally supported only one particular political party.

"This monopolistic policy not only creates further division within Bermuda, it makes it extremely difficult for any other political party to survive.

"You would find it difficult to deny that our goals would benefit the majority of the population without devastating any particular segment."

It then adds: "We believe that a political party should not be open to accusations of undue influence from any particular interest group.

"In order to ensure the NLP's political autonomy and integrity we will make our financial statements available for public perusal."

The letter adds amounts in excess of $500 a year will be listed on a schedule attached to the party's financial statements which the NLP has already promised to make available to the public.

The NLP also announced former Progressive Labour Party branch official Mrs. Rose Evans is to stand as an election candidate in Sandys South, a PLP stronghold.

Mrs. Evans, a fault control clerk for Cable and Wireless, said she resigned from the PLP last year shortly after MP Mr. Lionel Simmons was expelled.

She said she later rejoined the party to help organise a special meeting to try to breach differences, but quit again when it failed to resolve the problems.

She added she would be campaigning for women's rights, affordable housing for families and increased recreational facilities in the constituency.

"It's depressing to see that at the moment the only recreational facilties provided are sidewalks and walls where people can meet. Something should be done.

"It is important that more support is given to all the clubs so they can develop more programmes for the youth," she said.

The NLP is also to hold its second public meeting at Marsden Memorial Methodist Church in Smith's Parish on Thursday when speakers will be Parliamentary Group leader Mr. Gilbert Darrell and newly-selected candidate for Smith's Mr. Graeme Outerbridge.

■ Mr. Collington Perinchief, UBP branch chairman in the marginal Sandys North constituency, said lawyer Mr. Ed Bailey and funeral director Mr. Colin Pearman had been formally adopted as election candidates.

Swan Election Announcement

Hamilton THE ROYAL GAZETTE in English 10 Oct 85 p 1

[Text]

Premier the Hon. John Swan yesterday promised to improve school education and continue economic policies if the United Bermuda Party wins the next General Election.

His pledge came after he formally fired the starting gun for a three week election campaign and announced Bermuda would go to the polls on Tuesday, October 29.

The election is likely to delay the opening of Parliament, which was scheduled for Friday November 1, for at least two weeks, to allow the winner to pick a Cabinet and choose Senators.

Mr. Swan stressed he was not trying to capitalise on a split in Opposition forces and ruled out Independence as an election issue.

"I will under no circumstances take this Country to Independence without the majority consent of the people of this Country. I can't think of any other way of obtaining that without a referendum.

He added: "I will campaign on the programmes started in 1983, as we have showed what we are able to do. We have to work-hard to justify people's support."

He said the Government had promised to tackle 96 programmes, and had now completed 72 of them, and started another 14, leaving only ten to get off the ground.

He stressed one of the major planks of the election campaign would be improvements to schools.

"I believe the quality of our education system has been good, but we should ensure that over this next period we look at all aspects to improve the educational facilities for our children."

He said more computer technology could be taken into the classrooms, recreation and leisure time facilities developed, and a close look taken at the academic balance to give youngsters the chance to take advantage of future opportunities.

At a special press conference broadcast live on local radio stations he said Acting Governor Mr. Mark Herdman had agreed to dissolve Parliament and Monday had been earmarked as nomination day.

The announcement came after a special meeting of the UBP Caucus, attended by newly-selected candidates, was told the date of his election plans.

He told the press conference: "Much has happened in Bermuda since the last election in 1983.

"At that time the United Bermuda Party pledged they would take a new direction and an aggressive new programme to address the most pressing problems of our Country.

"The challenge was clear. Restore our economy, revitalise our tourism industry, relieve the housing shortage, crack down on crime and drugs, and improve our public education system.

"The results of our programme were equally clear. The economy is rebounding, there is an up-turn in our tourist industry, we are building more affordable housing, crime is on a dramatic downward trend, and we have been moving very rapidly to improve the quality of education in our system."

But he said the formation of the National Liberal Party had created a fundamental change in Bermuda and there were now three competing philosophies being offered to the voters.

He said an election was being called to allow the voters a chance to reaffirm their backing for UBP policies of sound management and compassionate leadership.

It would also give a chance to work on long term solutions to problems facing the Island.

He denied it was a snap election aimed at taking advantage of a split in Opposition ranks caused by the formation of the NLP.

"It's obvious to every member of the public that the Opposition have had their difficulties, but from what I can gather, the difficulty has been set aside by the formation of another party.

"I don't think the word disarray really applies as it might have done some months ago. I just hope the record of the UBP is such that votes will not be taken away from the UBP."

GAZETTE Poll

Hamilton THE ROYAL GAZETTE in English 22 Oct 85 pp 1, 3

[Text] The Premier should not have called a General Election, said nearly half the voters questioned in a *Royal Gazette* poll at the weekend.

But a similar number also endorsed Mr. Swan as the best person to lead the Country and more than a quarter said there was room for a third party.

Nearly half — 45.2 percent — of the 168 people polled in the marginal Pembroke East Central and Hamilton East constituencies said "no" to the question: "Do you think the General Election should have been called now?"

Only 15.48 percent approved of the decision to call the election.

But a significant quarter or more of voters refused to answer the three questions, as well as two others concerning candidates.

Adding in "don't knows" sent the negative side of the poll as high as 46 percent.

This effectively made nonsense of the positive answers given to two questions — "If a General Election was held today, how would you vote?" and "How did you vote in the last General Election ?" — by making the margin of error unreasonably large.

The Royal Gazette, therefore is not revealing the levels of support polled for the three parties in the constituencies.

But the figures are so overwhelmingly one-sided on the three other questions, that this newspaper has decided to publish those sections of the poll.

Fractionally more than 38 percent of voters polled thought there was no room for a third party. National Liberal Party leader Mr. Gilbert Darrell should be cheered by the 27.4 percent who think there is.

But yesterday he commented: "There has been so much polling taking place lately, people are fed up with it. The significant figure is the number of people refusing to respond."

He may not be so happy with an 8.3 percent vote as preference to become the next Premier.

Mr. Swan came top with 48.2 percent. Progressive Labour Party head Mrs. Lois Browne-Evans pulled in just two supporters — 1.2 percent of the vote.

PLP spokesman Sen. David Allen said: "I think it is significant that 40 percent-plus had no response. You also tend to be missing the people who don't have phones.

" *The Royal Gazette* is also seen as an establishment newspaper.

"Here you find your UBP supporter quite freely giving you information, while PLP supporters traditionally like to keep their views close to their chest."

Mr. Mike Winfield, campaign manager for the United Bermuda Party said politics in Bermuda were a private affair and individuals were reluctant to release information.

"I'm sure the fact the polls were conducted by a representative of the media made people more reluctant to discuss their preferences," he said.

Assessment of Results

Hamilton THE ROYAL GAZETTE in English 30 Oct 85 p 8

[Text]

The result of the 1985 election puts the UBP in its best ever position in the House of Assembly — 31 seats compared to seven for the PLP and two for the NLP.

It is the greatest ever majority enjoyed by the UBP, an increase of one over the 30 seats the party won in 1968 when party politics were introduced.

The UBP's increase in new seats is matched by an increase in the popular vote which totalled 62 percent of the votes cast. In 1983 the UBP's share of the poplar vote was 56.6 percent to the PLP's 43.4 percent. The PLP this time dropped to 31 percent.

The NLP, waging its first campaign as a political party, took 7 percent of the popular vote. The only Independent candidate, Mr. Albari Assalaam, won just five votes.

While the UBP took 62 percent of the popular vote, it increased the balance of power in the House of Assembly by an even larger amount. The UBP's 31 seats now represents 77.5 percent of House strength, compared to 65 percent won in 1983.

And while the PLP took 31 percent of the popular vote, that is not reflected in the House where it has just 17.5 percent of House strength. The numbers are better balanced for the NLP which won seven percent of the popular vote and has five percent representation in the House.

The voter turnout was, as expected, substantially lower than recent elections, with just 19,427 or 69.7 percent of the 27,880 registered voters (not counting Southampton West where two UBP incumbents went unchallenged) going to the polls. The inclement weather predicted the night before the election never materialised despite an overcast day.

The lower turnout reflected disenchantment with the strife-torn PLP and some protest voting. Traditionally a low vote benefits the UBP.

In 1983 a total of 80.6 percent of registered voters cast their ballots, compared to 79.4 percent in 1980. Voter turnout was heaviest in 1968 when there was a record 91.2 percent voter turnout.

A total of 35,925 votes were cast in this election. The UBP received 22,368 votes, the PLP 11,066, the NLP 2,486 and the Independent just five.

A total of five candidates will lose their $250 deposits for failing to win eight percent of the votes cast in their constituency. They are: Mr. Assalaam with 0.3 percent; NLP Mr. John Rankin with 6.3 percent; PLP Mrs. Aurelia Burch with 4 percent; NLP Mrs. Rose Evans with 3.3 percent; and PLP Mr. Sam Maybury with 7.8 percent.

Three candidates held on to their deposits by a tiny margin. They are: PLP Mr. Archibald Brangman with 8.5 percent; PLP Mr. Roosevelt Hall with 9 percent; and PLP Mr. George Byron with 9.7 percent.

The UBP's increase in the House came at the expense of both the PLP and NLP.

The PLP lost three seats to the UBP — two in Pembroke East Central where long-time Opposition MPs Dr. Barbara Ball and Mr. Stanley Morton lost to Mr. Robert Barritt and Mr. Lawson Mapp; and one in Sandys North where Miss Paula Cox had taken over from her father, Mr. Eugene Cox.

Both Sandys North UBP candidates Mr. Ed Bailey and Mr. Colin Pearman won in what had recently been a strong PLP marginal. They capitalised on the absence of Mr. Cox and the defection of former PLP MP Mr. Lionel Simmons, who campaigned under the NLP banner.

Miss Cox showed surprising strength, riding on her father's coat tails and finishing third, 23 votes ahead of Mr. Simmons.

The NLP lost two seats to the UBP: one in Warwick East where Mr. Walter Brangman lost to second place finisher the Hon. Gerald Simons by 51 votes; the other was in Sandys North.

It was an especially sweet victory for both Mr. Simons and his running mate the Hon. Irving Pearman. For Mr. Simons it was a personal victory after a humiliating defeat in the UBP Pembroke West by-election when he lost to dentist Dr. David Dyer.

Mr. Pearman led the polls from the start, scoring 141 votes more than Mr. Simons. Many will see his victory as a vote of confidence in the way he is handling Bermuda's all important tourism industry as Premier Swan's Minister of Tourism.

The UBP victory in Warwick West was equally important. Both the Hon. Quinton Edness and the Hon. Sir John Sharpe scored a smashing victory in a constituency that only two years ago was a marginal.

Mr. Edness had been banished from the House in 1980 when he lost to the PLP's Mr. Eugene Blakeney by just seven votes. Many felt his political career was over, but he stormed back in 1983, taking 26.8 percent of the poll. He increased that yesterday to 32.4 percent. Sir John was marginally behind with 31.8 percent.

Unlike the 1980 election when the PLP won 18 to the UBP's 22 seats, split tickets in the marginal constituencies did not prove to be a factor. The only constituencies that were split this time were Pembroke East where the NLP and PLP each won a seat. Hamilton East was also split with NLP Leader Mr. Gilbert Darrell being returned to the House as was UBP incumbent the Hon. Haskins Davis.

Mr. Darrell took 26.8 percent of the vote, almost the same as in 1983 when he won 26.1 percent. Mr. Davis gained ground, increasing his share from 25.6 percent to 30.5 percent of the votes cast.

The only other NLP candidate to be returned to the House was former PLP MP Mr. Austin Thomas. He squeaked in by 17 votes over PLP candidate Mr. Roosevelt Brown.

Despite his vcitory, Mr. Thomas' share of the poll dropped from 35 percent to 21.4 percent while the other Pembroke East candidate elected, incumbent PLP Mr. Ottiwell Simmons, increased his share from 35 percent to 37.5 percent.

Swan's Victory Address

Hamilton THE ROYAL GAZETTE in English 31 Oct 85 pp 1, 3

[Text]

Premier the Hon. John Swan yesterday promised his massive House of Assembly majority would not lead to an arrogant and unresponsive Government.

The ruling United Bermuda Party swept in to a landslide victory in Tuesday's general election and notched up 31-seat Parliamentary majority as it crushed Opposition parties.

But the Premier insisted he would be on his guard to ensure the UBP's strongest majority since the advent of party politics in 1968 did not prevent alternative views being heard.

He said: "People fail to realise that we started the process of participatory democracy in a meaningful way.

"What we did was open up the channels of opportunity for the Bermuda public at large, to participate in the decision-making process, encouraged them to make their feelings known, to express them, and to expect Government to be receptive to those feelings.

"We moved from a point of protest to a point of participation.

"What we will continue to see is greater public participation in the whole Governmental process and organised political pressure groups become more of an anachronism to the system."

He dubbed the Progressive Labour Party and the National Liberal Party as little more than political pressure groups and included organisations such as the Nuclear Awareness Group and the anti-apartheid coalition.

He added democracy needed a sound adversary to Government to present a second opinion on issues.

"The elected members and the various organisations that make up the Governmental party political process keep lines of communication open with the various constituents in our society.

"I have a commitment to keep them open and I will be monitoring our whole system to ensure that it remains responsive.

"We seek to discover the broad consensus of opinion and we act on that consesus."

He said there was no danger the size of Government's majority would prevent public discussion of issues and insisted a broader section of the community would have greater communication with Government.

"I believe the democratic system is not designed for protest — it is designed for participation."

He said it was too soon for Government to start drawing up plans for the next session of the House of Assembly, and ruled out Independence as a priority in the wake of the election.

"At the moment Independence is not a priority. At this point there are no plans whatsoever for a referendum, although the decision on Independence will reside with the majority of voters in a referendum."

He added: "Bermudians have just taken part in one of the most meaningful and significant exercises that a democracy can offer — the chance to vote for and to select representatives to govern the Island.

"I am both pleased and humbled at the resounding mandate the electorate has given me and my colleagues, and I pledge the best efforts of myself and my administration to serve Bermuda and the diverse interests of all Bermudians.

"Bermudians have inherited a proud and resourceful heritage, and they can take justifiable pride in what they have accomplished — an enviable standard of living, a harmonious society and a stable economy.

"We have made inroads in solving or allieviating many of our most pressing social and economic issues.

"But we do not content ourselves with that, for we realise that though much has been done, more remains to be done.

"And I am confident that, with the new team you have elected, we have the vision, the ability, the courage and the depth of commitment to translate our ideas into realities so that every Bermudian has the opportunity to achieve to the limit of his potential.

"We must, all of us as Bermudians, work together — not out of self-interest, but in the interests of every Bermudian so that we can secure a safe, happy and prosperous future for all Bermudians."

NLP Parliamentary Plans

Hamilton THE ROYAL GAZETTE in English 31 Oct 85 p 3

[Text]

The prospect of opposing 31 United Bermuda Party MPs with only two voices in the next Parliament does not seem to faze National Liberal Party Leader Mr. Gilbert Darrell.

Yesterday, Mr. Darrell said his team mate Mr. Austin Thomas would be very active in promoting the Party's viewpoint in the House of Assembly. But he cautioned that their energy would have to be channelled for maximum impact.

"The Party will be visible in Parliament," he said. "We'll be very active, but we won't talk on everything."

On election night, Mr. Thomas addressed that very issue when he said the NLP would not scatter its opposition voice on everything Government proposes — a practice he faulted the Progressive Labour Party with.

Mr. Darrell yesterday said the Party's Parliamentary wing would not be alone in working to stake out the NLP viewpoint.

"We'll need back-up help and will have to mobilise our candidates from the election," he said, adding that they would be drafted to assist with research on issues.

The candidates will also be asked to help the Party determine where it stands with voters. In an executive meeting scheduled for today, they will be asked to provide assessments of NLP strength in the constituencies they contested.

Party officials are tantalised by the number of plumped votes some of their candidates received, particularly Mr. Graeme Outerbridge in the UBP stronghold of Smith's South and Mr. Darrell in Hamilton East. Both men received more than 200 such votes.

The question to determine is whether those votes were genuine Liberal votes or merely expressions of the personal popularity of each candidate.

"Half of our votes were plumped," Mr. Darrell said. "At least that is a strong indication of Liberal support."

In the next few weeks, the Party will try to organise itself with a view to developing its organisation and identity.

Mr. Darrell said a party membership meeting would soon be held to reflect an increase in membership to over 200 from the 25 or so people who were at the party's creation in mid-August.

Mr. Darrell descibed the party officers appointed at that time as temporary, although he suggested last night that they would probably be made permanent at the membership meeting.

In addition, the Party will give consideration to establishing a headquarters.

Beyond these initial plans, there is the suggestion that the NLP will be winging things for a while.

Mr. Darrell inferred that future plans are more general than specific. As for Parliamentary strategy, he said: "Mr. Thomas and I have been talking. There are only two of us. We'll just have to play it by ear."

He is more definite on the political position the Party's strategy will try to stake out — the political centre.

"We are strongly of the view that the Island has a tendency to develop extremes, with labour on one side and capitalists on the other. We believe that right in the middle there are a lot of people being ignored. And that's who we intend to appeal to."

Threat of Labor Unrest

Hamilton THE ROYAL GAZETTE in English 1 Nov 85 p 2

[Text] The PLP warned yesterday the United Bermuda Party's massive Parliamentary majority could lead to more labour disputes.

It fears frustations could spill over into strikes and walk-outs as the shrunken Opposition forces in the House of Assembly will be unable to have much impact on Government policies.

Premier the Hon. John Swan has already promised special efforts to ensure his 31-seat strength in the 40-seat House of Assembly does not lead to an arrogant and unresponsive Government.

But there are concerns the UBPs largest Parliamentary majority since the advent of party politics in 1968 will lead to a polarisation of the community.

Progressive Labour Party public relations officer Sen. David Allen said: "It is a legitimate fear that there will be frustrations in part of the community that the Parliamentary system will be unable to enact the changes they want.

"These frustrations will find their way out in other ways — it could be through industrial disputes, or other ways not in the best interests of Bermuda's fragile economy.

"History has shown this to be the case."

He insisted there were increasing numbers of labour disputes between 1968 and 1976 when the UBP held a 30-seat majority in the House of Assembly.

"It is very dangerous for Government to say it has a blank cheque to keep on going with its present policies. People are less than pleased with some of the directions they are taking.

"There are a lot of danger signals there. We are going to have to work even harder as an Opposition to make sure these frustrations do receive a venting through our Parliamentary presence."

He said the UBP had won support from only about 40 percent of people eligible to vote as the election recorded the lowest voter turn out in more than 17 years.

More than 10,000 of the 30,000-strong electorate boycotted the polling booths, at least 2,000 potential voters had failed to register and almost 8,000 people voted against the UBP.

"Only about 12,000 of the 30,000 electorate actually voted for the UBP. Obviously the Premier does not have the support of the majority of the electorate."

Some businessmen privately believe roughly 40 percent of the electorate will now feel it has no proper Parliamentary representation and no outlet for anti-Government views.

Even some UBP politicans privately fear their large majority could spark labour disputes as disgruntled workers would feel their views were not being listened to in Parliament.

But Bermuda Public Services Association Secretary General Mr. Eugene Blakeney was not convinced there would be an increase in labour disputes.

"I don't think anything like that would happen unless there is legislation that is repressive. Industrial disputes may culiminate in a strike but that is always an option available."

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INDUSTRIAL UNION'S ORGAN DISCUSSES POLITICS OF RACE

Hamilton THE WORKERS VOICE in English 11 Oct 85 pp 2, 7

[Article by Calvin Smith]

[Text]

BERMUDA'S POLITICAL history has been a continuous struggle between the black population trying to acquire power and the white establishment trying to retain it. It would seem that the next Election will finally see that struggle resolved since John Swan will most likely not only win with a big majority, but with a BLACK MAJORITY of United Bermuda Party members as well. This article takes a look at what this victory will mean for Bermuda by reviewing the stances of the UBP and the opposition parties. It concludes that the emergence of a black majority within the UBP will do no more than usher in an oppressive class society.

At present in Bermuda, there are three active political parties: the United Bermuda Party, the Progressive Labour Party and the National Liberal Party. The UBP has enjoyed continuous control of the Government since its inception in the mid-sixties. They are regarded as the party of big business, white-collar workers, the relatively well-off, and the white minority.

Although a conservative party and therefore supportive of gradual change, in order to retain control of Government, the UBP has made 180-degree turns when it has been necessary to placate black ambition.

But even though the UBP has virtually handed over party and Government management to its black wing, it has so far remained intensely protective of the status quo in terms of the economic organisation and management of Bermuda. This has been reflected in legislation that is anti-union, pro-big business, and anti-social welfare!

The Progressive Labour Party is Bermuda's first political party. It has its roots in the battle to end racism in Bermuda. It has fought its most successful battles in broadening the franchise, the improvement of job opportunities for blacks, and the improvement of housing for working-class blacks. In achieving these goals, the PLP can take credit for creating political awareness among an otherwise naive population.

FAILED TO CAPITALISE . . .

However, the PLP has failed to capitalise on its successes and to move its policy proposals out of purely black-based social issues and into mainstream issues of economic management.

The National Liberal Party is the newest of the three political parties. It has emerged out of the dissatisfaction among supporters of the PLP at the party's seeming inability to deal with the broad issues of economic management and control of the resources. This group differs from the PLP more in terms of the target of its policy rather than its content. It is concerned with wider participation in the management of our economic resources; and a wider sharing of the economic pie for those able to compete for a share. It believes fiercely that Bermudians should be masters in their own house if they are qualified and capable. Unlike the PLP, they make it clear that they seek to build a party capable of winning the Government and effectively administering it.

If this assessment of Bermuda's political parties is correct, then Bermuda's political history has seen a continuous struggle to appease Bermuda's black majority. This struggle will climax in the next Election at which time John Swan's UBP should secure an overwhelming majority which will result in a majority black UBP Government!

It is interesting to speculate on the direction a black-controlled UBP will take the country. Some probabilities are listed below:

* There will be a strong move towards increased law and order. A black Government will be able and likely to clamp down on crime with much less criticism than otherwise be the case.

NO SYMPATHY TOWARDS LABOUR

* There will be a heavy-handed approach towards trade unions. None of the men being promoted by the UBP have a history of being sympathetic to the labour movement. In fact, at least two – the Ministers of Finance and Tourism – have a record of being hard-nosed in negotiations.

* There will be an acceleration of the economy beyond the rate consistent with orderly growth and political stability. This will happen because the new regime (like their predecessors) can be expected to use the power of Government to stimulate investment in projects in which they have an economic stake.

* There will be an increase in immigration. This will follow from the need to speed up the growth of the economy. Immigration is likely to continue to be predominantly white, although its major source may shift from Europe to North America.

* Housing shortages for large low income Bermudian households will worsen. This will be a natural result given the dependence of the black UBP upon the business and landlord classes

* The new black Government will usher in a class-based society which will see a coalition of wealthy business and political leaders of both races forming the upper class and dominating the rest of the population.

The good news is that Bermudians, generally, will at last come to realise that politics is purely and simply a quest for power by people with like interests. All will learn that race, religion, money, nationality and all the other rallying cries are merely tools of those who would seek to control us for their own selfish ends.

Such being the case, it may be that after this Election, and the ascension to power of the blacks within the UBP, the UBP's intensely loyal white population will join hands with the rest of us on the basis of the common interest rather than race. If this occurs, we may yet escape the oppressive disctatorships which all too often is the fate of countries in which citizens support political parties blindly.

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CSO: 3298/175

PARTIES REFUSE TO OPEN BOOKS TO PUBLIC SCRUTINY

Hamilton THE ROYAL GAZETTE in English 2 Oct 85 p 5

[Text] The United Bermuda Party and the Progressive Labour Party yesterday rejected calls to open their accounts to public inspection and insisted their finances were their own private business.

They had been challenged to publicly reveal their annual figures by Mr. John Rankin, treasurer of the newly-formed National Liberal Party.

The NLP has already promised to make its own accounts available to the public and to list all donations over $600, although it will still accept anonymous cash gifts.

But UBP Executive officer Mr. Ed Williams said: "Basically the party does not feel there is any merit in the suggestion. We will continue to respect the privacy of people who donate money."

He said the NLP had challenged other parties to divulge their accounts yet they were still proposing to list certain donations as anonymous.

PLP Public Relations Officer Sen. David Allen said the Opposition party was unlikely to introduce public inspection of its accounts.

"One of the dangers in Bermuda of such a policy is that people could feel intimidated and inhibited from donating to political parties, particularly non-establishment parties, if their names are to be published."

He said the suggestion was an attempt to identify and prevent influence peddling, but the NLP had created its own loophole by agreeing to accept anonymous donations.

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CSO: 3298/175

JOB FAVORITISM FOR FOREIGNERS HIT--'MUST BE STOPPED'

Hamilton THE WORKERS VOICE in English 25 Oct 85 p 2

[Editorial]

Gertrude Stein, the writer, is said to have coined the phrase: "A rose is a rose is a rose". And, in Bermuda today, even in the year 1985, we may well say: "Prejudice is prejudice is prejudice."

Because, almost daily, we hear of cases of Bermudians being discouraged from applying for jobs in all areas, while foreigners are being brought out to fill those jobs. And often, the very Bermudian who was denied the job, is expected to show the foreigner how to do it!

While there are born, white Bermudians who are being discriminated against and passed over in favour of foreigners, the sheer numbers of black Bermudians in the work force tends to emphasise the "colour" of the discrimination.

This problem is getting worse, in spite of years of effort by BIU members and officers. And one of the most shameful aspects of the problem is that it is often Bermudians who are discriminating against their fellow Bermudians.

For years, foreigners who have come out here have continuously repeated that "Bermudians are lazy. They don't want to work", etc., etc. And, unfortunately, like any oft-repeated statement, this one has come to be accepted as the truth.

In fact, the average Bermudian worker is capable of working much harder and longer for much less, than is any foreigner, imported into our country under a contract which promises all kinds of perks, not enjoyed by the local worker.

How many of us know of Bermudian men and women who are working at two jobs, trying to keep up with the increasing costs of living in this high-priced tourist haven?

How many of us ARE those workers, and are putting a great strain on our health and wellbeing, by working at two jobs — day and night?

Yet it seems, however hard Bermudians may work, they not only get less for their labour, but they are often actively DIScouraged from showing ambition and a desire for upward mobility.

This state of affairs is intolerable and cannot be allowed to continue. We, the people of Bermuda, cannot continue to allow ourselves to be relegated to the lower rungs of the labour scale.

Bermudians ARE qualified. Bermudians ARE experienced and, whenever vacancies may occur, be they in Government or in the private sector, Bermudians MUST be first in line for the jobs — and must get them!

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CSO: 3298/175

ANTI-DRUG ACTIONS SUBJECT OF POLITICAL CONTENTION

Drug Agency Inaction

Hamilton THE ROYAL GAZETTE in English 9 Oct 85 p 5

[Text] The Progressive Labour Party yesterday complained the newly-appointed National Alcohol and Drug Agency had failed to explain how it would tackle growing abuse problems.

Party Public Relations Officer Sen. David Allen said there had not been a proper explanation to questions posed by Shadow Minister of Health and Social Services Mr. Stanley Lowe.

"NADA's response was disturbingly vague and did not indicate a clear direction on this vital issue.

"If NADA is incapable of outlining for the public what it plans to do, then the UBP Government must itself respond on the nuts and bolts of its purported programme.

"The Minister of Health and Social Services the Hon. Mrs. Ann Cartwright DeCouto and her Cabinet colleagues cannot foist all responsibility on NADA, especially since many suspect this is merely a delaying device in place of real meaningful action."

Mr. Lowe had called for the specific intentions and responsibilities of the body to be spelt out and complained it was merely another glorified committee.

But NADA chairman Mr. Victor Garcia dismissed the complaint and said the agency's role was spelt out in detail in the final report of the Royal Commission into alcohol and drug abuse.

Sen. Allen said: "Government campaigned on a platform of dealing with the drugs and crime menace in the last general election, yet Bermuda now appears to be on the eve of another election without the UBP Government having delivered much more than words rather than solid action.

"Government has a responsibility to inform the electorate during any election campaign what its actual plans are to control the drugs menace and educate Bermudians on the threat posed."

Absence of Drug Statistics

Hamilton THE ROYAL GAZETTE in English 23 Oct 85 p 2

[Text] Progressive Labour Party official Sen. David Allen last night accused Police Commissioner Mr. Frederick Bean of withholding important statistics showing an increase in drug offences.

He said Police refused to release figures showing drug offences had risen in the first six months of this year from 118 in 1984 to 167.

"The PLP believes it is not the place of the Police, or indeed any Minister, to withhold such information vital to the public well-being.

"The Police, like civil servants, are paid by the taxpayer to be public servants and are not supposed to serve party political aims of the incumbent party, all the more so during a General Election period.

"The public are left to wonder why the authorities are so reluctant to give out this particular item of information.

"There is a growing pattern of manipulation and distortion of vital statistics by Government, not only on the true level of drug crimes in the community, but information relating to AIDS victims, tourism statistics and other data.

"While the true facts may be embarrasing to the UBP Government, and contradict their good news propaganda, the public have the right to hear them."

He said he had sought statistics from Police officials, including the number of drug-related offences committed during the first six months of the year. He had also asked for information going back to 1983.

Sen. Allen said: "While statistics for every other crime category were given, right up to the first six months of this year, the single statistic for drug cases dealt with by the Police was withheld.

"The 1984 Report with breakdown on even earlier figures was not available either.

"If Parliament had been in session, the PLP would have had the right to lay down formal questions to the Minister of Labour and Home Affairs, Sir John Sharpe.

Police Commissioner Mr. Frederick Bean said: "The request of Sen. Allen required considerable research and because of the time it would involve, and my concern about the Police becoming unnecessarily involved in political matters, I was not prepared to accede to his request.

"Information regarding crime, and drug statistics is contained in the annual Police Reports and are also reported in the printed media."

A Police spokesman provided *The Royal Gazette* with figures showing drug offences rose during the first six months of the year.

Figures for the first three months were also slightly up on 1984's figure of 47 crimes to 52 crimes.

Sen. Allen added: "We are delighted to have flushed out those figures. It is unfortunate we have to put out a public statement before they reluctantly agree to release these figures."

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CSO: 3298/175

BRIEFS

TEACHERS WAGE PACT--Teachers yesterday narrowly approved a two-year contract providing a median wage increase of 5.6 percent in the first year and 4.2 percent in the second year. The contract, hammered out this weekend between government and the Amalgamated Bermuda Union of Teachers, barely got the mandatory two-thirds support for ratification. Union organisers reported just over 100 of the membership's 600 teachers voted on the contract. Union representative Mr Ray Latter admitted the turnout was disappointing but said: "We think under the circumstances that it is a reasonable agreement." Mr Ray Latter explained that first-year pay increases varied among different teacher classifications. For example, the lowest ranked teachers--aids and student teachers--won a 6.1 percent pay increase while top-ranked teachers won a 5.15 percent hike. The two-year contract also resulted in improved work conditions. One change requires government hiring of additional art and music specialists. Also, teachers with Masters degrees will be recategorised and in September, 1986, every teacher will be guaranteed four free lunch hours a week. The contract acceptance brought to an end extended negotiation that began last April. The teachers' contract expired on September 1 and yesterday's settlement was pressured by half-day strikes at six schools last week. [Text] [Hamilton THE ROYAL GAZETTE in English 29 Oct 85 p 2] /8309

CIVIL SERVANTS WAGE PACT--Bermuda's civil service has ratified its union's acceptance of a government pay offer, endorsing a deal that promises rises of almost 10 percent over the next two years. Bermuda Public Services Association president Mr Eugene Blakeney said last night that a membership meeting yesterday unanimously approved the agreement that will give 1,200 civil-servants increases of 5.5 percent in the first year and 4.2 percent in the second, along with improvements in sickness and holiday benefits. He said the Island's 681 hospital workers are to vote on the same offer this week. King Edward VII Memorial staff meet tomorrow and St. Brendan's Hospital workers on Thursday. Said Mr Blakeney: "We are certainly recommending the offer and we expect the hospital workers will approve it." [Text] [Hamilton THE ROYAL GAZETTE in English 29 Oct 85 p 2] /8309

CSO: 3298/177

MEDEIROS PRAISES SARNEY, PIRES IN PRESS STATEMENT

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 16 Oct 85 p 2

[Text] Manaus--The former minister-chief of the SNI [National Intelligence Service], Gen Octavio Medeiros, who had been expected to show strong opposition to President Jose Sarney, said yesterday that he had no reason to criticize the new administration. "Everything is fine. I have no criticism," said Medeiros in his only statements to the press since leaving Planalto Palace 7 months ago.

Contradicting his former aides, with whom he stays in contact, he claims that he has no complaints and that he is not bitter at having been removed from the decisionmaking center. He also says that he is "extremely satisfied" as military commander of Amazonia and that for that very reason, he is not nostalgic for the days when he was one of the most influential men in the country. He said: "It was a good period, and it is over. I led a life of trepidation [as published; possibly excitement intended], with the most varied problems. Since I like the hectic life, it was all very gratifying to me."

He does not go as far as his former chief, General Figueiredo, who has asked to be ignored, but he insists that he does not intend to comment on the past--chiefly such episodes as the Riocentro and Baumgarten incidents--or to set himself up as an observer of the Sarney administration.

It seems evident that at the moment, the former head of the SNI is bent upon establishing his new image as military commander of Amazonia, a jurisdiction that covers 42 percent of the national territory. And it is in that position, which makes him directly subordinate to the Army General Staff, that the general praises Minister Leonidas Pires, "my friend, who is doing an excellent job." Even in relation to the Uequed Amendment, which would grant amnesty to and reinstate all military who lost their positions and rights through institutional acts, Octavio Medeiros feels, if only for administrative reasons, that the government's approach--to negotiate a less inclusive bill--"is the correct one." Especially, he said, because the way the amendment stands, its implementation is technically impossible.

In his roomy office--decorated with the official photographs of Sarney and Minister Leonidas Pires--at the Amazonia Military Command, Medeiros referred to the president's visit to the Solimoes Frontier Battalion in Tabatinga and the Third Special Frontier Platoon in Vila Bitencourt last weekend as "extremely gratifying." During his first 7 months in his new job, and after completing 120 flying hours over the 3.6 million square kilometers under his jurisdiction, he has reached the conclusion that "the man on the frontier is extremely needy." And he is trying to convey the idea that reducing that state of need and cooperating in the region's development are his only concerns at the moment. "Because of that, the president's presence was grafifying," Gen Octavio Medeiros explained.

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CSO: 3341/12

SARNEY'S APPROACH TO MINISTERIAL CHANGES IN 1986 DISCUSSED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 23 Oct 85 p 3

[Article by C. C.]

[Text] Brasilia--A few days ago, President Jose Sarney made a comment to Minister of Administration Aluisio Alves that might provide the key to solving the problem of forming his new cabinet. He said he had neither the intention nor the means of preventing any of his ministers from resigning when the time came for them to choose between remaining in the government and running for another office. But he added unpretentiously, like someone mentioning that it was starting to rain or that it was time for a coffee break: "That is, if campaigning for an office is considered indispensable to the political future of the minister."

In politics, reasoning is usually indirect even if necessary, and that is one example. In fact, the president was making it clear that he would examine each case on its own merits and be prepared to discuss with at least some of his assistants the desirability of their giving up their candidacies for the constituent assembly, for state governor, or for a seat in Congress in an effort to keep them in the cabinet. Such things do not happen mathematically, by the clock, and in linear fashion--in other words, it is not to be expected that at a particular moment at the start of next year, Sarney is going to begin rounds of formal talks with his ministers to decide who will stay and who will go. It will be in the course of informal talks, socially or after conducting official business, that he will put the question, feel out his interlocutor, and make his assessment, and that without giving the impression that he is doing so.

Specifically, at least 12 of the 27 current ministers seem inclined to run for elective office next year. That is the minimum, because many observers feel that there are 16 or 17 of them.

In ordinary circumstances, this would be an excellent opportunity for Sarney to form his own cabinet without trauma or conflict. He could bring together people with the common denominator of having been chosen by him personally and of sharing his viewpoint, since the current cabinet was put together by Tancredo Neves. We say "in ordinary circumstances" because out of the current group, some would have been chosen by him unhesitatingly for the posts they occupy. They are precisely the ones who may be the first to receive concealed or even open appeals to stay on, either because of admiration for the work they are doing or for reasons of a political nature. It is possible, however, that even the president does not know their number or names, with the probable exception of Aluisio Alves, who has already heard a direct reference to the problem.

The reason is that if he were willing to accept the resignations of 12, 16, or 17 ministers, the president would also have to be prepared for some difficult reshuffling. After all, the cabinet may not be the one he would have formed, but it was formed and, after some friction and resentment, now reflects the vast range of groups, opinions, and party interests. It was not easy for Tancredo Neves, almost at the point of exhaustion and having to take conflicting personalities, groups, and concepts into account, to put together the team that now exists. Putting together another complete team may result in remedies worse than the disease, especially when it is considered that in view of the large number of those who would resign, the other ministers who are not politicians would find themselves constrained and compelled to tender their own resignations as well.

Furthermore, there is an additional factor for difficulties to which Sarney will be attentive. The so-called first team in national politics will be busy in its entirety with the 1986 elections. There is not a politician today, even in the lesser echelons, who does not imagine himself sitting in the plenary meeting of the constituent assembly or even in more important seats. This country is going to witness the most crowded election campaign in recent years.

Who will be left to take a cabinet post? It is obvious that among the nonministers, there are citizens willing to exchange the prospect of a 4-year term for a definite period in the cabinet, but reality ousts ambition: with rare exceptions, the first team will play on the "soccer field" of the federal legislative elections or in the privileged races for state governor.

For those reasons, the solution of consensus and half measures appears to be the most viable. Some ministers will hear enthusiastic words of encouragement when they inform the president of their decision to run for deputy, senator, or state governor. Others will hear well-considered statements concerning the importance to their careers of staying where they are. There will be no ultimatums and perhaps even no direct appeals, but the president's response will differ depending on the situation.

No one knows how Tancredo Neves would react if he were alive, but worth mentioning is a remark in confidence that he made just after being elected. As he was starting to form his cabinet, he remarked with feeling that the intense work of forming a cabinet through feelers, promises, changes, and decisions was threatening to turn into a crisis. He complained that he did not know whether he would have the strength to do it two more times. Two more times? Yes, because the first cabinet was to last until the ministers were forced to resign to run for other offices, while the second would last until promulgation of the new constitution, and the third would have to reflect the makeup of forces emerging from the work of the constituent assembly. The president-elect considered that the constituent assembly would be the embryo of great changes of a doctrinal and ideological nature in the parties.

It may be that President Jose Sarney will wind up heading three cabinets, but it appears that at least the first and second of those cabinets will be integrated. He is being very reticent on that subject, saying only that he will do nothing without the parties--that is, the forces that support him. It happens that to a great extent, those forces will be handicapped by the fact that their leading figures will be busy getting themselves elected. That closes the circle and reinforces the idea that ministers who are former future candidates in the 1986 elections will stay on.

Unless we are mistaken, the following ministers intend to run in next year's elections: Fernando Lyra (Justice), Olavo Setubal (Foreign Affairs), Afonso Camargo (Transportation), Pedro Simon (Agriculture), Almir Pazzianotto (Labor), Carlos Sant'Anna (Health), Roberto Gusmao (Industry and Commerce), Aureliano Chaves (Mines and Energy), Waldir Pires (Welfare and Social Security), Renato Archer (Science and Technology), Paulo Lustoso (Debureaucratization), and Aluisio Alves (Administration). But the following may have the same intention: Antonio Carlos Magalhaes (Communications), Flavio Peixoto (Urban Development), Jose Hugo Castello Branco (Civilian Household), and Nelson Ribeiro (Agrarian Reform).

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CSO: 3342/12

RIO MILITARY CLUB MANIFESTO OPPOSES INVOLVEMENT IN POLITICS

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Oct 85 p 2

[Text] A group of military men in Rio de Janeiro issued a manifesto yesterday opposing the Military Club's involvement in party politics during the campaign to elect that institution's new chairman. The new chairman, who will succeed Gen Tasso Villar de Aquino--reelected last year with the support of the military ministers and Planalto Palace--will be chosen in May 1986.

General Tasso ran against Gen Antonio Carlos de Andrada Serpa and was supported by the publication LETRAS EM MARCHA, which circulates among the military and which called Tancredo Neves the "Brazilian Alfonsin."

In their manifesto, the military men recall that "the experience of the past few years has now clearly demonstrated that our club's dissociation from political turmoil has helped to maintain the atmosphere of calm that is so necessary in the difficult period being experienced by the nation." According to some military men, the manifesto against club involvement in party politics is aimed at two possible candidates: General Andrada Serpo or a representative of his and Gen Euclydes de Oliveira Figueiredo Filho, who is also in the reserve.

Another goal expressed in the document is that of consulting the Military Club's members concerning the choice of a candidate "who fits in well with our association and, because of his qualities, deserves the confidence of the social group." Although some military men have mentioned the existence of two candidates, the manifesto asserts that "no name has been settled on," even though "several member officers on the active and reserve rosters have been considered as possibilities for chairman." It is also stated in the message that the signers, among them Gen Plinio Pitaluga of the reserve, "are not participating in any movement or organization for the purpose of controlling the future campaign for election of the Military Club's chairman" and that they "also are not candidates for the chief spots on the slate that will be organized." Their purpose is to collect "suggestions concerning names and social activities that can be transmitted to the future candidate."

The military men who signed the document say that their main objective is to keep "the Military Club from being involved in expressions of party political feeling and controversial national and international affairs," but "without prejudice to the right, and even the duty, as provided in the bylaws, to evaluate and debate major national issues." The document says that "being free of party political passions," the Military Club has demonstrated that its action program "provides an atmosphere enabling it to act sovereignly and responsibly in the national situation of the moment."

The message states: "The future executive body, like those before it, must remain immune to onslaughts by those playing with wornout insinuations" aimed at harming the military.

11798
CSO: 3342/12

CARDOSO ON EXILE, POSSIBLE PRESIDENTIAL CANDIDACY

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 31 Oct 85 p 6

[Interview with Fernando H. Cardoso in Sao Paulo, date not given]

[Text] [Question] Where were you born?

[Answer] In Botafogo, Rio, on 19 de Fevereiro Street, near Sao Clemente, in 1931. But they have already said that I was born in Berlin, that is why I stay blond like this.

[Question] What did your father do?

[Answer] He was a military man and a lawyer. When he died, he was a retired general. He had practiced law extensively and had been a federal deputy. My grandfather was a professor and reached the rank of marshal. He had much influence at the time of the proclamation of the republic and was in the revolutions of 1922 and 1924. My family has always participated in politics since the empire. My great-grandfather was governor of Goias.

[Question] Is your family Catholic?

[Answer] Yes, I made my first communion and was one of the most fervent...

[Question] Do you still remember the seven cardinal sins?

[Answer] I have forgotten some, since I never practiced...but I was quite a fervent Catholic when I was in primary school and the beginning of secondary school. At that time, I was studying at the Perdizes secondary school and had a class in religion, and I was dedicated. It was a strong religiosity, that phase of carrying a holy image from house to house.

[Question] How were your first loves?

[Answer] I was always very precocious in that area. When I was in secondary school, I spent my time courting in little Pacaembu Square.

[Question] How was your first sexual experience?

[Answer] I do not recall. We forget all that. I was married when I was 21 and have a son of 31. We forget...

[Question] What do you remember of your childhood?

[Answer] I spent the greater part of my childhood in Rio but I came to Sao Paulo while I was still a child. I was quite happy. My father never spanked me or my brothers. Our relationship was very loving. My mother had more of a temper; she had a different temperament. She was born in Manaus of a family from Alagoas.

[Question] And how was your youth?

[Answer] I was already in Sao Paulo, living in Perdizes. It was a very fruitful period in which I expanded my intellectual horizons very much: at that time the Artists Club opened, the Second Brazilian Poetry Congress was held, the Chateaubriand Art Museum opened. It was a flood of cultural exposure.

[Question] Did your contact with politics begin early?

[Answer] Ever since I was a child. Dad related stories about the republic all the time: about his grandfather, about Floriano Peixoto, whom he knew. My father was a great storyteller, someone who enchanted my friends when I was young and there was a certain conflict there because he dominated the scene. Although he was a military man--and every military man has a feeling of patriotism that civilians do not understand--he was never one to cramp the opinions of others. I discussed anything with the old timers and I used to pin them to the wall.

[Question] What was your greatest discovery in your youth?

[Answer] It was literature. First French Literature, because dad had it in his library. First it was Balzac, "Madame Bovary," for example, on the quiet. Not that he censored it, it was just that it was more delicious on the quiet. Then I went on to Victor Hugo, Gide, the American authors who were beginning to be the vogue and the novels about the Brazilian Northeast: Jorge Amado, Jose Lins do Rego, Graciliano. That left quite an impression. I believe my concern about the social issue stemmed from there.

[Question] You discovered the contradictions of society by reading?

[Answer] More than reading--seeing, because you are born in the middle class, you open the window and see the slum. Poverty gets into people; it leaves people thick-skinned. For example, foreigners are more alarmed by our poverty than we ourselves. The concern about the social issue came through literature, then you begin to have a much greater concern about changing the world. At the end of your youth you begin to get into philosophy; I also liked painting very much.

[Question] Did you actually write stories, poetry?

[Answer] I actually wrote for a magazine called REVISTA DOS NOVICOS [Novice Review] that I published with Boris Fausto--who is a historian today, Decio

Pignatari, Haroldo de Campos, Augusto de Campos and Ataliba Nogueira. That was between 16 and 17, and we had a poetry exposition at the Artists Club.

[Question] What great doubt did you have at that time?

[Answer] The doubt we all have: existentialism, the meaning of life.

[Question] Do you drink or smoke?

[Answer] I drink very little; I have never smoked.

[Question] Have you never tried drugs? What do you think of marihuana? Have you ever seen it, taken it in your hand?

[Answer] I have never tried it. I have seen marihuana. I lived abroad and that is much more common there than here.

[Question] Did you engage in any sport?

[Answer] I played soccer, basketball in college; I rowed at the Tiete Club. I was not very good at any sport but I engaged in them. To this day, I like the sun; I like to swim. I was never the intellectual type who only stays in the library all the time. I read a lot but I was not taciturn. I was always irreverent; I like humor. I do not like it when the taunting touches my family; intruding in one's private life does not make sense.

[Question] How did you leave the country?

[Answer] It was in 1964 and I was a member of the University Council. I had historic loyalties: I was against the right. At that time, I was writing a thesis on the Argentine, Mexican, Chilean and Brazilian business communities which I had intended as a professorial chair competition entry. I had done research in those countries. The university itself asked for the cassation of many people, including me, and before that they had sought to arrest me and press charges against me.

[Question] How did you know they had sought to arrest you?

[Answer] They had wanted to arrest Bento Prado, who was a friend of mine, thinking it was me. I hid in Guaruja, trying to write the thesis. I arranged with Ferri, who was the interim rector replacing Gama, that I would request a leave of absence, but it was not granted. So I went to Buenos Aires, believing that it would be for a short time, but the case against me ended only in 1967 when there was a Military Tribunal habeas corpus. I came to Brazil only when my father died in 1966.

[Question] Where did you go from Buenos Aires?

[Answer] To Santiago and from there I was invited by the University of Paris to lecture; I accepted. Afterwards, I lived in the United States and England.

[Question] How was that life?

[Answer] Exile is always disagreeable because you cannot return; you were rejected by your own country. When I went to Chile, speaking with my children by telephone was terribly difficult. My father died and I had not even known that he was dying. So nobody can know what exile is, even in my case, in which I had no difficulty in speaking to my friends or in employment. On the contrary, I always earned more on the outside than here. I enjoyed prestige outside of Brazil, but even so it is very sad. And there are the other Brazilians who are not in the same situation.

[Question] Did you have contact with them?

[Answer] Yes, I did. We ate feijoada, sang the samba, drank caipirinha. And I imagined a Brazil that did not exist and a political process that likewise did not exist. In exile, you have an imaginary solution. You think of quick solutions that do not exist, that everything is going to change quickly. Obviously, on the family side, it is a fruitful experience, the relationship becomes closer and the children see the world, speak another language.

[Question] How was your decision to get into party life?

[Answer] I always had contact with politics but I was never a party man. It was Ulysses Guimaraes who sought me out. It was a time when I was lecturing. I used to go to Rio Grende do Sul and I talked to the intellectuals and criticized the regime.

[Question] In 1970?

[Answer] I believe it was in 1971, 1972. It was the time of the repressive regime. Later I became a candidate for the senate but before that, in 1972 or 1974, Ulysses sought me out; I reacted with surprise. They believed that the Brazilian Analysis and Planning Center (CEBRAP) might be an ideological agency, and it was not. It was a research agency and it was difficult to explain.

[Question] The Brazilian Democratic Movement (MDB) also?

[Answer] Yes, and the police also. The police believed that it was an ideological cell. It was not. We conducted independent analyses, disputing among ourselves. We did many intellectually important things in Brazil and Latin America. We talked to Ulysses, who was a very mature, very balanced man, and he understood. Then we prepared the MDB 1974 program--Chico de Oliveira, Paul Singer and I; even Quercia went there to discuss with Paul. We also prepared the 1976 and 1978 programs. In 1978, I ran for the senate; not to win but to make a point. Everybody thought it was impossible; they said that I would get 100,000 or 200,000 votes--I received 1.3 million. I am going to repeat that here again now; I am going to get many votes. People will have to explain afterwards.

[Question] How was your contact with congress?

[Answer] To begin with, I was already president of the MDB and the most difficult experience in politics is the party, the play of interests, the need to accommodate, to direct. It was always said that I did not control the machine but we controlled it--we won, Montoro and I, and when I arrived in Brasilia, I already had that experience. Obviously, when I arrived in the senate, I had the same sensation as when I entered the University Council: many professors believed that I was going to inflame the council. They were never quite sure whether I was a dangerous revolutionary or whether I was deceiving them all. Then when I went into the senate, people were wide-eyed. I made a speech and they liked it.

[Question] Was it a civilized speech?

[Answer] They liked its tone. I like the senate. It is a small place; you know everybody. Senator Afonso Camargo was one of the first to seek me out and I am his friend to this day; I like him. Afonso was considered ultramoderate but he was ultraskilled, balanced. I learned a great deal in the senate, to treat people well, not to make many speeches. You have to deal more with the press than the plenary body.

[Question] How do you define yourself politically and ideologically today?

[Answer] Today we are living at a time of great economic expansion not only in Brazil but also in the other countries of Latin America, even with the crisis. My generation helped Brazil change into a modern, industrialized urban country. It is a little as if we were in the Renaissance without being aware that there had been a Renaissance. Part of the periphery of thw world capitalist system is becoming industrialized, becoming internationalized. At the same time, we are witnessing the decline of the great transforming myths. So today, you cannot be a conservative. You have to give democracy its contemporaneity and assume social transformation as an obsession.

[Question] An obsession?

[Answer] Right. You have to assume that and there has to be a transformation. And that is always going to be viewed by your attackers as smacking of being Red. You can be utopian but you have to organize the forces of change. Suplicy prefers denunciation to tranformation. I prefer transformation to denunciation.

[Question] What do you think of him as a politician?

[Answer] He has more of a prophetic tone than the tone of a leader. His is an ethical-propagandistic discourse and I believe that political discourse has to be in correlation with the forces in order to actually change.

[Question] Would you like to be the president of the republic?

[Answer] Not as a fixed idea.

[Question] But do you believe that you have the capacity to govern the country?

[Answer] In the future, yes.

[Question] Who would you support for president of the republic?

[Answer] I never thought of supporting Tancredo and I supported him. At that time, he expressed changes that were necessary. I believe that in that connection, it depends on who expresses changes at the time of deciding on that support. I have great admiration for Ulysses. He has many qualities. But I also believe that there is a new generation arising out there that has not yet emerged.

8711/12899
CSO: 3342/18

MAGALHAES FORECASTS MINISTERIAL CHANGES, CENTRIST PARTY

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 31 Oct 85 p 4

[Article by Carlos Chagas]

[Text] Minister Antonio Carlos Magalhaes yesterday predicted that two important changes were imminent in the national political picture, to occur after the results of the mayoralty elections in the capitals scheduled for 15 November were known, probably before January: a partial cabinet reshuffle by President Jose Sarney and the creation of a new government-supporting party made up of the Social Democratic Party (PDS), the Liberal Front Party (PFL) and some segments of the Brazilian Democratic Movement Party (PMDB).

In his opinion, party accommodation becomes inevitable because of the actual situation. Without it, we will not have a correct alignment among the parties. In the democracies, he commented, there are three big parties at the most. Others can operate as satellites or appendices. He believes that we will reach that point soon, with the accommodations and arrangements dictated by the nature of things. In that aspect, the legalization of the communist parties did not accomplish very much considering that among the 479 federal deputies not more than 10 assumed the previously clandestine party labels.

According to his calculations, the merger of the PDS with the PFL and the addition of part of the PMDB is going to generate a large center party the characteristic of which will be the defense of structural changes but within the framework of democratic discourse and principles. There was a time when he alone predicted the change. His was an isolated voice. Now there are many who think the same way. He will be one of the members of that new party, without any pretensions to control it. After the 15 November elections, many politicians will appear with even more leadership credentials than he to undertake the common task. Whenever those things occur, that is, when large parties are formed, the consequence is the destruction weakening of other parties. That is too bad but politics must follow its course.

In Antonio Carlos Magalhaes' opinion, the new party will vie with the PMDB for the predominance of power in the coming years and it will also be aligned in support of the government of the New Republic.

Quite restrained in his predictions, the former governor of Bahia does not foresee any major problems in the PFL agreeing to the change, even from its top leaders, Aureliano Chaves and Marco Maciel, even though in public he prefers not to mention names or situations that have not yet occurred. For the PDS, there will not be any other solution if they accept the change, even with the participation of certain groups linked to the past. At the same time, the new party will attract those who do not accept Leonel Brizola's language and messages. The leader of the Democratic Labor Party (PDT) has made the alliances that suit him: at one time with the PDS, at another with the PFL and the Workers Party (PT). He is carrying out a personal program, not a national program, exercising a right within the terrain that he occupies. That is hardly the natural course and the facts will soon prove it.

According to the minister of communications, the dichotomy between the left and the right does not reflect the real situation. It is false to attribute to the left a greater weight than it actually has. The spectrum from the center to the far left accounts for probably no more than one-third of national opinion. The vogue of being leftist is becoming passe, that is why the new party will emerge with a centrist platform, but a center with many changes. The presence of the right is detrimental but it is inherent in the premises of democracy, which must permit coexistence among all lines of thought.

Antonio Carlos Magalhaes believes also that the 15 November elections, even though partial, will generate another result. If he considers it opportune, President Jose Sarney will partially reshuffle the cabinet. He has full power to do that and does not need to wait for divestitures by cabinet officers or wait for constitutional time periods. It is his prerogative to fill all echelons of the federal administration. He will choose the moment for a reshuffle. He assumed the presidency with an advantage by beginning to govern with a cabinet chosen by President Tancredo Neves: he was not subject to the natural erosion that all appointments inhere. He did not face the friction of appointing the first echelon of the government. The opportunity for changes will be his, in the full exercise of his power.

The conclusions presented here are not those of the Bahian politician alone. Yesterday in congress, the subject of conversation pertained to the changes to occur after the mayoralty elections in the capitals. They will determine a rearrangement of the party picture, in the midst of friction, clashes and the assumption of positions among the parties and their factions. There will be no way of avoiding the consequences, whether on the party level or that of the federal administration. There will not be a better opportunity for President Jose Sarney to form the so-called utilitarian government, that is, to replace ministers who are not doing well. The changes are part of the political game. Sometimes they generate friction but they become necessary with the development of the situation. It is premature to know who will be replaced but that does not prevent one from conceiving of changes, more in the political and social areas and less in the economic area, and not at all hasty. First, it will be necessary for the ballots to speak, revealing fully who are the victors and the vanquished.

At the same time, it is felt that arrangements for the formation of the new party are advanced. Until a short while ago, the major resistance was in the PFL, with Minister Aureliano Chaves detaching himself in order to be able to keep it intact and autonomous. It so happens that, of the candidates for mayor, the liberals have only one with a real possibility of victory: Jaime Santana in Sao Luis. The other candidates supported by the party capable of gaining first place belong to other parties. Thus for the members of the PFL, a recycling is essential if they plan to have an active voice and real participation in politics from next year onward, on account of the general elections. The idea of a super-merger with the PDS no longer appears to be impossible to them even if they have to coexist with some repentant Malufists. For the time being, of course, they will continue to resist a little. In the PMDB also, there are the disaffected--the kind that would feel better in a centrist party than among the groups leaning more to the left.

8711/12899
CSO: 3342/18

AMBASSADOR URGES ELIMINATION OF PROTECTIONISM BEFORE TALKS

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 1 Nov 85 p 24

[Text] Geneva--The members of the General Agreement in Tariffs and Trade (GATT) must commit themselves to eliminate and modify their protectionist measures before the beginning of a new round of talks on the liberalization of trade. The appeal was made yesterday by Brazil through Ambassador Paulo Nogueira Battista. "This has to do with the credibility of the initiative" of the negotiations, he said.

"I do not believe we can begin new talks without guarantees that the main contractual partners are really determined to accept the rules of the GATT," continued the Brazilian ambassador. And he asked: "If there is freedom to introduce new restrictive measures at any time, what is the use of the negotiations?"

The elimination of the present barriers will be somewhat complex but Nogueira Battista told the press that the commitment should be assumed before the new round. "They are key topics and prerequisites for the negotiations." According to the ambassador, other countries support the Brazilian position.

Debt

Another point presented as a prerequisite was the acceptance by the creditor countries that the debt issue be negotiated at the political level. "We want to clarify this in order to evaluate if it is possible to concur in the establishment of a new preparatory commission."

Nogueira Battista spoke to the press after a meeting on a possible new round of negotiations. Representatives of Egypt, India, Yugoslavia and Argentina accompanied the ambassador during the interview. He revealed that there is "a very small margin of agreement" with regard to Western proposals, especially of the United States, for holding the talks.

In addition to the trade of goods, trade of services such as insurance and banking is reportedly on the agenda. Brazil and four other countries are the main opponents of the idea of including services in the discussions. "Few delegations agreed that services fall within the purview of the GATT."

8711/12899
CSO: 3342/18

BC HEAD ON PARTICIPATION OF FOREIGN CAPITAL, NEW MONEY

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Oct 85 p 40

[Text] The government will not amend legislation governing the entry of foreign capital into the national financial sector, and it does not intend to make any concessions in that area to facilitate renegotiation of the foreign debt. Fernao Carlos Botelho Bracher, chairman of the Central Bank [BC], made that position very clear yesterday as he was being honored at the National Club by businessmen and executives from the financial sector during a luncheon sponsored by ADEVAL (Association of Stock Brokerage Firms).

"There is no intention of changing anything in the legislation, at least until the country achieves an ideal equilibrium in its external accounts that will allow it to live with the presence of foreign capital in the financial sector," said Bracher. Participation by foreign capital in commercial banks is still banned, while in the other sectors--investment banks, for example--foreign capital remains limited to one-third of the voting capital.

The chairman of the BC made his statements in response to a doubt expressed by the chairman of ADEVAL, Ney Castro Alves, who had drawn attention during his welcoming speech to the "growing presence of foreign financial institutions in the country's financial market" as being a touchy aspect of the external area.

Bracher expressed the hope, however, that the country's general economic conditions would develop favorably so that within 10 or 20 years, we would be able to open the national financial market to participation by foreign capital, which can make a great contribution to that sector's development. We must all work to see that that stage is reached as quickly as possible. Roberto H. Barbour of the American Express International Banking Corporation, who was one of the representatives of foreign banks to be present at ADEVAL's well-attended luncheon, said that the problems in the external accounts, which prevent the establishment of a free exchange system, were the big obstacle to be overcome.

Foreign Agreement

During a press conference, Bracher denied reports published in a Sao Paulo newspaper and attributed to Luiz Gonzaga Belluzzo, secretary general of the

Ministry of Finance. According to those reports, Brazil was going to try to obtain new money in its renegotiation with its creditors. The chairman of the BC said: "Belluzzo has already denied those reports. In fact, we do not need new money, and our interest in renegotiating is to discuss the renewal, amortization periods, and costs."

Optimistic concerning the possibility of an agreement with our creditors, Bracher compared the negotiations to a courtship between John and Mary. "John (Brazil) wants to get married. Let us hope that Mary also wants to. We are certainly going to get an agreement with the bankers," said Bracher. "Whether we are going to go through the IMF or not is something I don't know, but that appears to be the most sensible path."

Suggestions

Ney Castro Alves expressed confidence in the performance of the new team at the Central Bank and presented a few of his sector's aspirations, among them the following: in connection with the open market, greater freedom in the formation of interest rates and in the makeup of portfolios.

Concerning the foreign area of the economy, the chairman of ADEVAL advocated keeping the exchange reserves and, simultaneously, allowing a greater number of institutions to participate in the domestic financial market so as to increase competition. Concerning the capital market, the chairman of ADEVAL suggested that access by all institutions to the various kinds of operations be facilitated, with capability and the willingness to work being favored over simple possession of a charter, which is a "powerful instrument for restricting the development of markets."

11798
CSO: 3342/13

FAB DEFINES SPECIFICATIONS OF FUTURE SUPERSONIC JET

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 23 Oct 85 p 5

[Article by Godoy]

[Text] Specifications for the supersonic fighter plane that Brazil will build in the next decade are already being worked out in theory by the High Command of the FAB [Brazilian Air Force]. It will be a delta-wing aircraft capable of flying at a speed of 2,500 kilometers per hour and will be equipped with canards--to ensure better aerodynamic performance--and advanced electronics. Those specifications were mentioned yesterday to O ESTADO DE SAO PAULO and the JORNAL DA TARDE by five general officers participating in yesterday's ceremony marking the official presentation of the AMX tactical fighter plane at EMBRAER [Brazilian Aeronautics Company] headquarters in Sao Jose dos Campos. All the technical details for the new aircraft, which will ensure air superiority and which will be the ministry's next priority, are to be worked out completely over the next 2 years.

The AMX flew for 10 minutes in the presence of President Jose Sarney, 14 of the current administration's ministers, 2 former ministers, and at least 1,500 guests--including about 15 military attaches. In a celebration marked by punctuality, test pilot Luis Fernando Cabral began the official presentation of the Italian aircraft--developed in partnership with Brazil--at exactly 1600 hours. After an unobtrusive takeoff, the small attack jet, painted in the colors of the Italian-Brazilian consortium carrying out the program but showing the dark green colors of the FAB on its wings, made its first pass at medium altitude with a roar of its Rolls Royce MK-107 Spey turbine. Sarney applauded and pointed out the plane to Maria Tereza Bindao, the little girl he had invited to attend the inaugural flight. Cabral did not exceed 400 knots--nor was there any need to: at that speed (close to 700 km/h), his exhibition included spins, upside-down flying, "open-angle lumping," sharp curves both inward and outward, flying close to the ground, and a short landing. It was not a new experience for 53-year-old Captain Cabral, an EMBRAER veteran who tested the Bandeirante, the Xavante, the Brasilia, and the Tucano--and who intends to "be in the supersonic jet in 1992." It was also he who handed a model of the AMX to President Jose Sarney. At the cocktail party held later, he said simply that "the aircraft behaved well," avoided requests for his autograph, and drank only guarana.

Future Plane

According to the five air force generals from the High Command, the nation's future supersonic plane, which will be built by EMBRAER ("probably in partnership with a European firm," according to Minister of Air Moreira Lima), will have to fall within specific technical parameters. For example, it will have only one turbine with a thrust of between 9,000 and 12,000 kilograms using its afterburner. It will also have only one tail assembly. It will be of a type intended for multiple use, being capable of carrying out interception and air defense missions with maximum efficiency in all kinds of weather and also having high ground-attack capability. Present criteria call for a weapon system consisting of two 30mm guns with a minimum capacity of 5 tons (and a maximum of 9,000 kilograms) with respect to external stores (drop tanks, missiles, rockets, bombs, and electronic capsules). Basically, it will be capable of operating in critical conditions at an average of nine G's (nine times the force of gravity), thus retaining the basic characteristic desired by the FAB: extremely high maneuverability combined with a low profile.

Operating at a ceiling of 15,000 meters, it is to have a range of between 2,500 and 3,000 kilometers unarmed and of 900 kilometers in combat configuration. "Monoplace" will follow the trend noted in British Aerospace's ACA (Agile Combat Aircraft) for Great Britain or France's Rafale (Marcel Dassault). Those planes, which are being proposed for the 1990's, incorporate many computers and digital electronic systems and take their inspiration from the current equipment on such aircraft as the U.S. F-15 Falcon or the Mirage 2000.

"All of this is a plan for the next decade. We are not going to go beyond our capacity," emphasized Minister of Air General Moreira Lima, who says that "in view of the success EMBRAER has had, Dassault in France, Messerschmidt in the FRG, and British Aerospace in Great Britain are interested in forming a consortium with us to build the supersonic jet. There are also proposals from the United States and Italy. But we are only looking at the idea as a whole. First we have to invest a great deal in refining the AMX."

Press Conference

Before the AMX tactical fighter made its official flight, the binational managers of the project spoke with reporters and announced, in the words of EMBRAER's sales manager, engineer Ozilio Carlos da Silva, that "this first program for technological cooperation between countries separated by an ocean and by the North-South division is turning out to be very effective." It was announced at the meeting that the updated cost of the program is estimated at $1 billion, with EMBRAER being responsible for about $300 million of the total investment and the rest to be supplied by the Italian partners, Aeritalia and Aermacchi. It was also announced that the three partners will stick to an international sales pattern consistent with their areas of influence--in other words, Brazil will be active in the Middle East, Latin America, and West Africa, while the Italians will work in the Near East and large areas of North Africa and Asia.

There is no decision yet on the number of orders for the two-seat trainer version or for the naval configuration (the specifications for which were defined over the past 5 months). The commercial price of the AMX on the market will be $10 million--$3 million above the estimate made when the operation began in 1981.

This new tactical fighter plane is capable of carrying 3,000 kilograms of weapon stores for distances exceeding 1,500 kilometers and is virtually invisible to the antiaircraft surveillance systems now existing on the continent. The FAB will begin receiving the first of its 79 aircraft during the first half of 1988.

11798
CSO: 3342/13

BRIEFS

NEW PCB HEADQUARTERS--Rio de Janeiro--Yesterday the Brazilian Communist Party [PCB] celebrated the inauguration of its new national headquarters: a suite of 12 rooms on Presidente Vargas Avenue in downtown Rio de Janeiro that will cost the PCB 3.6 million cruzeiros per month, including condominium expenses. The headquarters, located in the Aquitana Building (at 529 Presidente Vargas Avenue), will occupy the premises formerly occupied by the printers' union. But the "big party's" big dream is still that of either being able to put up a new headquarters building (designed by Oscar Niemeyer) or, failing that, to rehabilitate--also using plans drawn by Niemeyer himself--the big building that housed the PCB during its other period of legal existence just after the New State in 1945. That building was at 25 Conde Lage Street--a street made famous by the bohemian atmosphere of Rio de Janeiro's old Lapa district. The new headquarters will make it possible to centralize the PCB's entire leadership in one location. Until now the party has continued to operate out of the office of former Deputy Alves de Brito and the offices of the party newspaper A VOZ DA UNIDADE. The national directorate, headed by Giocondo Dias, and the regional and municipal directorates will also be housed at the headquarters on Presidente Vargas Avenue. [Text] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Oct 85 p 2] 11798

CACEX TRADE SURPLUS FORECAST--Rio de Janeiro--The Brazilian trade balance will show a surplus of over $1 billion this month, according to a forecast made yesterday in Rio de Janeiro by Roberto Fendt, Jr., director general of the Bank of Brazil's Foreign Trade Department (CACEX). That favorable result will include exports totaling more than $2 billion, he added. The predicted figure--based on export and import permits issued to date--is lower than the $1.2-billion surplus recorded for September, which was "a result helped considerably by elimination of the uncertainty concerning the exchange policy, since there were doubts in August as to what steps the government would take in that area." Fendt also announced that the government is working to eliminate the effect on exports of a few indirect taxes so that Brazilian exporting activity will become competitive within the existing norms laid down in international trade agreements (that is, GATT). He explained that there are still a few taxes which "conflict with the universally adopted principle of not exporting taxes to third countries and which in our case, despite being minor, do add a certain burden to the price of products when they are added together." The director of CACEX was participating in the work of the general meeting of the Association of World Trade Centers when he announced that the Brazilian Government was working on a trade policy aimed at expanding the country's presence in the most varied markets. [Text] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 23 Oct 85 p 28] 11798

CSO: 3342/12

SEVEN GROUPS CLARIFY POSITIONS ON NATIONAL ACCORD

Santiago EL MERCURIO in Spanish 3 Nov 85 pp D-1, D-2

[Text] EL MERCURIO posed the following questions to the most representative politicians who have signed the accord:

Can the members of the parties that signed the accord form alliances with the PC [Communist Party] or the MDP in the elections now being held?

Is the accord compatible with the so-called social mobilization? What is this social mobilization supposed to mean? Is there some sort of mobilization that ought to be excluded?

When all is said and done, can the social organizations make independent decisions even though they are run by members of the parties that signed the accord?

Patricio Aylwin: Christian Democratic Party

"Let's understand each other. The accord obviously excludes any political alliance between those of us who signed it and those who reject it or maintain positions that are incompatible with its content, such as, for example, the Communist Party and the UDI," Patricio Aylwin began by saying. He immediately thereafter makes an exception, however, saying that the exclusion of alliances does not apply to elections that are not necessarily political. As an example he indicates that there is no reason for elections of governing bodies in social organizations such as labor and trade unions, professional associations, student federations and others to be approached in partisan political terms; instead, they should serve the specific interests of the organization in question. He thus concludes that "the ideal thing in this regard is to bring together as many people as possible, without exclusions and disregarding partisan ideological differences."

The prominent Christian Democratic leader explains the meaning of social mobilization under the accord as follows. The accord, he says, "proposes a path for reestablishing democracy in Chile. It sets forth the common ground that Chileans all across the political spectrum have patriotically forged with respect to the best way of dealing with the alarming conditions in our country. It calls on all Chileans and, in particular, those who hold power, to move forward along this path."

But inasmuch as the government has so far rejected and even tried to discredit this appeal ("as the vague expression of ambitious political leaders") and seems bent on combatting it, Aylwin goes on to say, the question arises as to what we ought to do.

"What can and must those of us do who are sincerely convinced that the propositions in the accord really offer the best path for Chile and represent the feelings of the vast majority of the Chilean people?" The answer, he says, is to publicize the accord's content, to drum up support for it and to call on our fellow countrymen to voice such support. "This is social mobilization."

He adds that the reason for the mobilization "is the government's blind eye and deaf ear to the people's needs, aspirations and problems and its obvious reluctance to truly move towards democracy."

He contends that this situation explains the protests: "When the authorities do not even respond to the petitions presented to them, the people protest to make themselves heard. In the absence of democratic channels, this is the only way at present in the country for people to exercise their right to take part in their homeland's government."

With regard to the freedom of intermediate organizations to enter into alliances or to undertake mobilizations other than the ones endorsed by the agreement they signed, Aylwin begins by underscoring the principle of their autonomy:

"Social organizations must be autonomous, that is to say, they must run themselves and pursue their own interests. This means that neither the government nor the political parties nor anyone on the outside should try to use them to further interests other than those of each organization."

Taking the principle of autonomy to its logical conclusion, the Christian Democratic leader states that party heads cannot be challenged on whether alliances are or are not consistent with the party and with the National Accord:

"When organizations elect their own officers, it is up to the latter to act in the way that best represents the majority of the members, independently of their own political stands. We Christian Democrats are not accustomed to giving partisan political instructions to our members who hold official positions in these organizations."

Carlos Briones: Socialist Party

The former political leader believes that we must begin by reflecting on what the National Accord is:

"It is a consensus that has enabled the opposition to regain its vitality by taking a reasonable and realistic approach to overcoming the national political crisis; also, it lays the necessary groundwork for an agreement across the broadest spectrum of political and social forces that are honestly in favor of a transition to democracy. Aside from this, it spells out clear-cut options for politically confronting the dictatorship's rigidity. Lastly, it sets forth general economic and social goals for the transition, which is understood to mean a broad-based, nationwide effort to reweave Chile's social fabric."

Therefore, Briones adds, his party, the Socialist Party, is supporting the accord "unambiguously." He emphasizes the "unambiguously" to differentiate his party from the groups that back just the immediate measures but not the substance of the accord.

With regard to the problem of electoral alliances with the Communist Party, he goes on to say that turning the accord into a political and electoral pact does not seem acceptable to him either, because this is not the nature of the commitment that the signatory political forces made.

"Nor could it be, because electoral pacts between political parties are possible when democracy and public freedoms are in force and when the will of the people is gauged in elections with universal suffrage. Therefore, to talk about electoral alliances between parties today in Chile is to fall into the booby trap that has been set for the naive."

Briones adds that elections are possible in Chile today only in the social movements, groups and institutions that have succeeded in gaining a degree of freedom through their democratic struggle. He goes on to say that the Socialists will not try to appropriate these gains "by manipulating social groups and imposing on them decisions that they themselves do not democratically make. We are respectful of social identities and autonomy."

The Socialist leader indicates that if the FECH [Student Federation of Chile] or the professors decide democratically that it is in their interest to seek understandings between various groups, be they Christian Democrats, Communists or Socialists, "we cannot step in as lords and masters and impose on them an electoral logic that runs counter to the one that they deem most appropriate for their sector or given their circumstances. We signed the National Accord not to narrow the range of freedom but to expand it, not to weaken unity but to strengthen it."

Briones underscores the autonomy of intermediate social organizations and respect for their identity, as the basic principles of "our socialist ideology" proclaim, not only in connection with possible alliances but also regarding the options for mobilization.

He then explains that such social organizations are privileged channels for promoting democracy and the sovereignty of the people and that the political parties must not absorb or manipulate them for electoral purposes.

"In our judgment, this principle is a key to a solid democracy in Chile's future. We are observing this principle right now, even though it hurts. The general will of the people is the sum of each individual will. The parties that understand this will receive the backing of the masses. We therefore believe that our role is to be present and to try to understand, accepting the democratic will of the people and expressing it as faithfully as possible. Our task is to convince, not to impose."

Briones indicates that social mobilization is nothing more than "the activities that the people are undertaking to restore democracy and reestablish their sovereignty. A person who mobilizes is a person who has decided to overcome passivity and indifference and to further democratic ideas, even if the risks are great."

The president of the Socialist Party goes on to say that every day more and more Chileans are willing to take specific action to express their opposition to the regime and their resolve to restore democracy, freedom and justice, which are the goals of the mobilization that the Socialist Party is pursuing with all its might. "The purpose of our alliances and of our entire policy today is to take up the people's struggles as the party's number one priority." With regard to the type of mobilization he has this to say: "We act in accordance with our democratic principles, which rule out violence and the armed struggle as methods of political action. On the other hand, we see active civil disobedience as a viable method of opposing the regime."

He says that they are devising and constantly encouraging forms of peaceful protest, spur-of-the-moment gatherings and democratic activities expressing opposition to the regime and demanding the transfer of power to civilians. In short, Briones goes on to say, any nonviolent action for human rights and democracy or against the regime is acceptable, necessary and urgent.

"If such action did not exist, the regime would perpetuate itself, dragging the country down into a terrible disaster of violence and suffering. No one could possibly think that we Socialists signed the National Accord to bolster Pinochet's autocracy."

Andres Allamand: National Union

As far as the young leader of the National Union is concerned, electoral alliances, forms of social mobilization and the autonomy of intermediate organizations all pose problems that require clear-cut approaches, which he seems to have.

As to whether the signers of the accord can or cannot ally themselves with the Communist Party, Allamand is categorical: "Political alliances with the Communist Party are incompatible with the National Accord and with its purpose. "He goes on to say that this is because the text of the National Accord rejects violence "from wherever it might come, as a method of political action." Moreover, its signers made a "solemn pledge to undertake future activities in a spirit of democratic loyalty" in accordance with the institutional principles contained in the accord. Prominent among these principles is the unconstitutional nature of groups that do not respect democratic values and, consequently, their exclusion from politics.

"The program and action of the Communist Party are clearly totalitarian and violence-oriented and thus contravene the institutional principles set forth in the accord. Therefore, the signers of the accord must refrain from reaching agreements or allying themselves with communism; otherwise, they would be seriously violating the letter and spirit of the accord."

To express his views even more categorically, Allamand quotes statements that the president of the Christian Democrats made last April rejecting the Communist Party's strategy of violence "for moral reasons first of all." He cites another remark by Valdes, on 13 October, when he denounced "the strategy of violence as incompatible with the struggle to achieve a real democracy."

Finally, the president of the National Union adds, "the purpose of the National Accord is to achieve an understanding with the government that will make possible a peaceful transition to democracy. In contrast, the Communist Party advocates armed confrontation with the government; therefore, a political alliance between the signers of the accord and the communists would obviously hamper this much needed understanding."

With regard to the various forms that social mobilization could take, Allamand also emphatically rejects protests. "They are not compatible," he says, "with the accord, because they are by definition violent and inevitably lead to death and destruction. To claim that protests are peaceful is just a euphemism."

The National Union leader clarifies that support for the accord must be peaceful and that, consequently, the people who back the accord must give reasonable assurances that this will be its hallmark. In this regard he notes one of the government's obligations: to allow peaceful demonstrations to be conducted without unjustified impediments. "Otherwise, it is in fact encouraging protests, which lead nowhere and harm everyone."

As to the issue of whether social organizations are or are not free to form alliances and to undertake mobilizations other than the ones endorsed by the National Accord, Allamand says that he is surprised by the sudden interest of certain sectors in the "autonomy" of these organizations vis-a-vis the "political world." He indicates that these are the sectors that have systematically used those organizations as their tools and that it is even more contradictory for the people who a year ago attached far-reaching political meaning to the FECH election results to now claim that these same elections are devoid of any political significance.

He acknowledges that the elections held in the intermediate groups are marked by differing degrees of politicization: "In some there is no politicization, and in others it is obvious. What is unacceptable, though, is to claim that markedly political elections, in which the candidates take characteristically political stands, are not political."

In these instances, Allamand goes on to say, there are only two ways to interpret the autonomy argument that certain sectors are essaying:

"Either it is a pretext for not fulfilling their commitments in certain social spheres, or it is an acknowledgement of their inability to control their rank-and-file. "This latter sort of 'autonomy' is apparently what is really worrying those who have resorted to this argument."

Enrique Silva Cimma: Radical Party

Like the rest of the respondents, the president of the Radical Party, Enrique Silva Cimma, felt that he had to comment on the accord before specifically discussing the issues we raised.

"We want to state clearly for the record that the Radical Party signed the National Accord out of a patriotic desire to build a consensus among Chileans around a deeply felt aspiration that we are sure the overwhelming majority of our fellow countrymen share: to achieve democracy peacefully."

He goes on to say that they did so "generously and unselfishly," inasmuch as the accord "represents a compromise among the signers, whose understanding was that its overriding aim was the search for unity around what we saw as the essential groundwork of a genuine democracy accepted and sought by all. We stress that the accord reflects the thought of the common man in our society."

As far as the Radical leader is concerned, herein lies the accord's greatest merit, and he is therefore "surprised" that it has been criticized "because it is simple." "It means," he adds, "that those who criticize it for this reason do not really want a genuine democracy promptly in Chile."

After making these remarks and then arguing that the questions posed to him show that "the generosity of the accord has not been understood," the Radical leader made seven points about the accord and its relationship with alliances and social mobilization.

He says first that the accord means that "there is a clear-cut democratic alternative that has been found for Chile's immediate future," adding that his party, therefore, "is struggling to bring about this alternative peacefully."

This does not mean, however, he notes later, that social mobilization has been renounced. "Our pacifism does not mean a do-nothing policy; on the contrary, we maintain that civil disobedience and our legitimate right to voice dissent cannot be throttled."

He places the issue of alliances within this strategy, stating that his party is prepared to ally itself "with all who accept the peaceful nature of our struggle and who agree to wage it now, that is to say, to restore our democracy."

This, he says, is why they have declared themselves in "permanent mobilization," which as part of a peaceful approach "is neither negotiable nor relinquishable, because it has a higher goal: we are convinced that without it we will not achieve democracy."

Silva Cimma denies that his party's approach is incompatible with the National Accord because in his view "our approach is in keeping with the underlying meaning of the search for reconciliation to which we were summoned, that is to say, to reconcile differences of opinion and peacefully lay the groundwork for a prompt return to democracy."

In conclusion, he ruled out the possibility of this leading to violence or chaos. "On the contrary," he indicates, "chaos will inevitably be perpetuated in Chile unless those who wield power realize that with their wrongheadedness they are playing into the hands of terrorism and violence of every sort."

Luis Maira: Christian Left

Political leader Luis Maira considered the three questions posed by EL MERCURIO "so important and incisive" that he felt he had to make a series of observations to answer them logically.

He maintains first that the National Accord "is not and ought not to be a political pact, because that would detract from its value and functionality." He adds that it is, in contrast, "a political proposal that a very wide range of democratic forces on the Left, Center and Right have put forth to make possible an orderly political transition and a stable democratic system in the future."

"The beneficiary of the accord," Maira goes on to say, "is the entire people of Chile, and it should not be administered by a small group of people or a small party group. The more it breaks away from the control of the people who drafted it, the stronger it will become, to the extent that millions of Chileans see it as theirs and as it gains support from all of the social organizations that are interested in restoring a democratic coexistence to our country. Only this would lend it the strength and breadth that Fuenteovejuna had in responding to the excesses of 'that commander.'"

The president of Christian Left adds that now that the door to negotiation is closed, the National Accord could further a more effective social mobilization. He recalls that the major limitation of the protests that have been staged since 1983 was that although they gave vent to the desire for democracy, they did not have a political proposal behind them and were thus of no use in coming up with a solution. "In my judgment, the accord's major merit is that it sets the stage for combining a broad-based mobilization with a concrete political proposal, which is in keeping with common sense and Chile's democratic tradition."

In this context, with regard to whether the Communist Party ought to be excluded or not, Maira's answer is that each political force has to decide on its own policy of alliances as a function of its programs and strategies. "Ever since our party was born, we have been on the Left and we have agreements with other leftwing forces. We will continue to do so, though we do not seek to impose the same approach on anyone."

With regard to the objectives and forms of social mobilization, Maira says that "support for the National Accord should first include its dissemination throughout the country and the mustering of additional backers to show that it does have majority support. Then, in light of the responses from the authorities, we will see what new steps have to be taken to assure the return of full democracy to Chile." He goes on to say that in this connection it is not advisable either to speculate or to get ahead of ourselves, noting that "the only limit to our activities is terrorist acts," which he understands to mean the anonymous use of violence against individuals.

As regards social organizations, Maira believes strongly in their autonomy. "No political party ought to manipulate them as far as deciding their tasks is concerned." In his view, the problem with the accord is not the electoral alliances that party leaders might enter into or the mobilizations they might undertake. What the Christian Left is interested in, he indicates, is for parties "to support the National Accord in accordance with their platforms and interests, as we acknowledge their right to keep on struggling for their own specific demands." From this perspective, he sees no contradiction between the National Accord and "the FECH or the FEUC [Federation of Catholic University Students] struggling for the right of universities to elect their own authorities; health care workers fighting for a larger hospital budget; organizations of retired persons fighting for renewed pension adjustments; or professional associations demanding a solution to the unemployment problems of their affiliates."

Fernando Ochagavia: National Party

Ochagavia indicated that the National Party has a very clear-cut stand on whether the signers of the accord can or cannot enter into election coalitions with the communists.

"The Communist Party is philosophically antagonistic to the principles embraced by those of us who belong to the Western democracies. To us, the rights of man come before the rights of the State, whereas the Communist Party makes man a subject and tool of the State. It also regards the State as the owner of all property, whereas to us private property is the foundation of the freedom to which we all aspire."

Ochagavia draws additional distinctions. Changes of government, meaning the ability of parties to take office or to represent the opposition, are totally denied in the communist world. "Not only are there no changes of government there, but no party other than the Communist Party can exist."

Why talk about the rights of minorities, Ochagavia adds, indicating that such rights take the form of Russian tanks rolling into the part of Europe that communism controls today, even though the majority of the people there have not chosen such tyranny.

In this regard, the National Party leader concludes that there can be alliances only between the parties and sectors that have a similar concept of the common good, which rules out any alliance with the Communist Party. He recalls in this connection that the former regional electoral alliances between disparate forces did much to discredit our democracy.

Ochagavia has this to say about the obligations of the accord signers regarding alliances:

"Any party that signed the National Accord is being inconsistent with its own identity, as expressed in the accord, if it enters into an electoral pact with the Communist Party. We feel that this discredits the accord and we will not accept it."

Moving on to the topic of social mobilization, the National Party leader believes that people are entitled to any democratic form of voicing dissent as long as it does not infringe on the freedom of others. In this regard, speaking as the representative of the National Party, he categorically rejects violence, "which unfortunately has been the outcome of protests." He then describes the protests as contradictory because they have not met with the support they were after."

Ochagavia contends that forms of dissent must be peaceful, employing basically argument and persuasion. He says the same about mobilizations. He recalls some successful experiences in this regard, as when housewives banged on pots and pans from their homes:

"That mobilization had backing and was successful, demonstrating that a major segment of the country was voicing its disagreement with the government over the problems besetting the majority of Chileans today, most of which are economic, not political. It was a warning to the authorities, especially given the absence of the traditional channels of democratic expression, such as political parties and a Congress."

As for the intermediate organizations, Ochagavia asserts that the National Party distinguishes between the goals of individuals and the goals of trade unions. Whereas individuals can and must take political stands, trade unions as such must pursue the goals that fall within their province.

Since he is aware that politicization is often a fact of life, he clarifies that if it comes about, the obligations that the National Accord imposes cannot be shirked:

"I think that the country will not accept it when groups that have pledged in the National Accord not to enter into pacts with the Communist Party, whether they are political parties or trade unions run or controlled by a party, afterwards take actions that run counter to what they have pledged."

Rene Abeliuk: Social Democracy

The top Social Democratic leader, attorney Rene Abeliuk, noted before getting down to brass tacks that in his judgment the issues of alliances and mobilization "do not involve the National Accord, as the citizenry is becoming increasingly convinced, in spite of the efforts of its enemies, that the accord is the only rational and peaceful way to surmount the current crisis."

Acknowledging in any event that these issues are pertinent to how the accord can be carried forward, he answered the questions from the perspective of his party.

As to the possibility of electoral alliances with the Communist Party or the MDP, Abeliuk says that as he has indicated on several occasions, his party and the Communists are "far apart on their strategies of confronting the regime and, of course, in connection with the National Accord, which means that a comprehensive alliance is ruled out."

Therefore, in his judgment, the issue has to be approached from a perspective other than politics. "The problem has to do with what have come to be called 'liberated zones.' This term refers to the social organizations that are striving to or have already broken away from the control of the authorities." As far as he is concerned, within these 'liberated zones' we must in no way regard as political alliances the various arrangements that the members of the social groups have devised to elect their internal authorities or other actions that they may undertake as members of necessarily autonomous social groups."

In any event, in Abeliuk's opinion, the issue of these social organizations' autonomy vis-a-vis political parties is quite complex.

He acknowledges, first of all, that one of the problems with our democracy before 1973 was the politicization of the entire society, including student organizations, unions, professional associations, etc. The problem, however, has not been resolved, in his opinion. On the contrary, "it has been aggravated by banning politics in its natural sphere, inasmuch as a repressed society defends itself by turning to social organizations to rescue the country from the dictatorship and to fulfill its desire for participation."

On the basis of this assessment he then asserts that even if in theory social organizations ought to enjoy autonomy to make a case for their own grievances, "certain social actions can undoubtedly have political repercussions." He cites the specific case of FECH, explaining what happened there as follows: "The current government has of course tried to downplay the University of Chile, but the FECH election has traditionally be seen through political eyes. Thus, in addition to their own problems, students raised the major issue in national politics, which is the National Accord for the transition to democracy."

As to whether social mobilization is a strategy that runs counter to the National Accord, Abeliuk acknowledges that this is an as yet undecided point.

"This is one of the issues that the signers of the National Accord ought to debate to reach a consensus like the one that was achieved on the issues of the return to and preservation of democracy."

In his view, in any event, this point "has to do with the strategy needed to make the National Accord a reality, given the government's stubborn opposition to any compromise solution to Chile's grave crisis." In this regard, he says, "a degree of social pressure is indispensable, a point on which the signers ought to reach a consensus."

In conclusion, Abeliuk indicates that in his opinion, given the government's stand, "any social mobilization to make the National Accord a reality and to further sectorial demands is legitimate, as long as it remains peaceful and does not get caught up in the violence that the government and certain extremist groups as well usually provoke." He concludes by indicating that "striking this balance is the great challenge facing this country's democrats in forcing a move towards democracy through understanding and consensus."

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CSO: 3348/185

FRESNO HOLDS CLOSED MEETING WITH POLITICO-ECONOMIC LEADERS

Santiago QUE PASA in Spanish 25-31 Jul 85 pp 8-10

[Article by Patric[illegible] O'Shea]

[Text] "He is not in Santiago. Come back after lunch." This was the answer from several secretaries Monday morning when QUE PASA tried to verify the whereabouts of certain public officials. The fact is that a select group of prominent persons had a private meeting to which Cardinal Juan Francisco Fresno, archbishop of Santiago, was invited. It somewhat reminded one of the response given during those moments of suspense between August and December 1983, when newsmen, almost by a fluke, found out about a meeting of dialogue at Monsignor Fresno's home. Present were Sergio Onofre Jarpa, Francisco Bulnes, Gabriel Valdes, Luis Bossay, Enrique Silva Cimma, Ramon Silva Ulloa and Hugo Zepeda, almost the same ones attending this time.

But that abortive experience apparently taught some lessons. One of them is that negotiations should take place in secret. And so it was this time, without newsmen or leaks. But...as is the case in most of such events:

The place: Calera de Tango. The time: Monday morning, starting very early (each of the participants was given a little map so he would not get lost). Those attending: Gabriel Valdes, Patricio Aylwin, Carlos Briones, Rene Abeliuk, Pedro Correa, Hugo Zepeda, Enrique Silva Cimma, Francisco Bulnes and Andres Allamand. But this time, Fresno did not confine himself to politicians. Rather, he included two economists: Sergio Molina and Fernando Leniz, who, it is said, attended as Fresno's personal friends. The only host: the cardinal and archbishop.

No one left Calera de Tango without a categorical warning: not one word of what was discussed to newsmen. The version of the meeting would be given by Fresno himself, who from there went to Punta de Tralca. As this edition went to press, the official statement -- which will necessarily be like the tip of the iceberg with respect to what was discussed -- was still awaited.

How did it come about? It was the naming of Fresno as cardinal that is the immediate root of the meeting, although even before, as archbishop, he had reported that the Pope had told him to explore every possible pastoral path for cooperating with the unity of all Chileans. Consequently, it was not strange that, on the occasion of the congratulatory messages over his appointment, he should begin to plan the meeting. The groups began to talk with him separately about the national situation (last week was the turn of the Christian Democrats). On other occasions, he had them summoned. Points of agreement were noted and there were several. Why not then put them together? As QUE PASA was told, the meeting was to have taken place about a month ago, but Francisco Bulnes, who was taking a rest, could not attend, as a result of which it was postponed until Monday.

Perhaps the first signal that something was coming was given by Fresno himself on Sunday when he said that he had met with Minister of Interior Ricardo Garcia and that he agreed with him on condemning terrorism. This was not the first time he had met with Garcia. According to QUE PASA's information, the minister of interior has met with Fresno on many occasions to talk about the country's situation.

This Monday, Fresno was alone for the meeting. The first thing he reportedly revealed was his annoyance over leaks that had occurred. Based on what has been learned, those present wanted to respect the silence. "The behavior of those present is fundamental for determining what will now happen. The next 2 weeks are crucial in seeing whether a second meeting will take place," said one of the participants. The second meeting was not firmly established.

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According to what QUE PASA has learned, Fresno wanted to play down the meeting. I had simply pointed out that the guests had a responsibility to the country, that he realized that there were points of agreement among them and a need to seek paths of unity. No great progress was made, but there was a possibility, the first attempt. The role played by Fresno was reportedly more active than on other occasions, but not as great as some of those present would have liked. The basic message was reportedly that it is essential to seek reasonable and viable solutions, that it is time to look at the political issues seriously and in depth. It was understood that the solutions would be hindered if one returned to the strategy of making speeches and statements every week and on every occasion. If this is handled well, they say, something "reasonable" might come of it (although the term applies to everything). Will it be reasonable to assume that it is a Dialogue II? Fresno might now want to act like Cardinal Samore: government and opposition kept separate until agreement is achieved.

The absence of certain groups from the meeting was noteworthy. The criterion for their exclusion? The socialists on the left and the UDI [Leftist Democratic Union] on the right. The UDI officials did not go in that capacity to congratulate Fresno when he was named cardinal, unlike these other groups. "I prefer to think it was an unfortunate omission," responded one member of the UDI when we asked him about the absence. "If it should be a deliberate exclusion, then it would be in contradiction with the calls for reconciliation made by the archbishop and furthermore, it would mean that he had gone beyond his important role, since it would not be up to him to determine who should participate in the unity effort and who should not." Whatever the case, this "omission" is supposedly not related to the reproach which the UDI recently made of Monsignor Precht, since the meeting had already been scheduled ahead of time. "Nor should one think that it is because we did not go to congratulate him," the source added, "for this is not a basic problem and Monsignor understands that." Would they have attended if invited? "Naturally. We have always gone where we have been invited."

It is not clear how to view Fresno's move and whether or not it is related to the document of concrete actions for the reconciliation that the bishops are to reveal soon. One might think that it is his own parallel move, not in contradiction with the proposals made by the bishops.

The government's reaction as this edition went to press was unknown, but it must have provoked more than internal discussion at a time when the Vatican is studying the possibility of establishing permanent commissions with the Chilean Government. However, if Fresno has met on several occasions with the minister of interior, the meeting cannot have been a total surprise.

Civic Front: With or Without the PC

In addition, the meeting took place at a time when the democratic opposition is working on formation of the so-called Civic Front, an issue also discussed in Calera de Tango. Before the rain at the beginning of the week, a well-known opposition lawyer told QUE PASA that, in the absence of climatic fronts, the only thing approaching was a "civic" front! "Not even that!" retorted others, for in the light of these concrete steps, the front is still "green," an affirmation with which Enrique Silva Cimma agreed when consulted by QUE PASA.

The paternity of the Front is claimed by AD [Democratic Alliance] socialists, who have made their membership in the former group dependent upon the establishment of the latter. "If the Alliance or the Socialist Bloc do not achieve it, it means that they are no good and we shall review our participation in them. If this Front is not formed, it would mean confirmation that ideologies have prevailed over pragmatism," says Ricardo Lagos.

However, it so happens that what the different groups mean by Civic Front is not the same thing. Grosso modo, the Front includes a range from Briones' socialists to the National Party. The idea would be to expand it to the right to include the National Union. On the left is the bone of contention: the Communist Party.

For the time being, some sources say, the PC has excluded itself. For the social democrats, it is definitely out. But such is not the case for socialist Lagos, who wants to convince communists to abandon the path of violence. Excluding them a priori is equivalent, to him, of "pushing them into the mountains" so that they will assume an openly revolutionary posture. He fears that the cost of this in the future would be enormous. Enrique Silva Cimma, considering Lagos' position valid, maintains, on the other hand, that as long as the latter do not make an explicit statement of abandonment of the violent line (reaffirmed by the plenary meeting of the PC this year), they have excluded themselves. Furthermore, the Nationals have said that they will not be in the same group as the communists. Although they blame Pinochet for artificially placing the communist problem in the forefront, the issue is the *quid* in any discussion which, to date, threatens a break with the socialists (who, if they should withdraw from the Alliance, Lagos says, will not join with the PC because this would mean returning to the Code versus the Popular Unity).

For the socialist, just as no one can be excluded, no one can impose a specific strategy. "Coordination of the opposition must be greater than it is today and must embrace political and social aspects because the latter have achieved a degree of autonomy they did not have before and which, I hope, they will maintain in the future because politics cannot take in everything." In addition, QUE PASA was told that all AD efforts are now concentrating on social reconciliation with debtors, retired persons, the unions, professional guilds, businessmen, and so on.

For the Time Being, Nothing

Both for Lagos and Silva Cimma, however, the important element of the Front is that the latter show that the only possibility is not Pinochet, that they are capable of forming an alternative (and what if they cannot unite?). That is what the Front is for, while others in the opposition maintain that it is a mistake because to have an alternative today is "cannon fodder" for Pinochet to destroy as such. The alternative should emerge when necessary, meaning late in 1989.

Today, Silva Cimma says, the Front is only an opposition bloc. But he also admits that he does not yet have a strategy for being able to achieve it. Mobilization and civil disobedience are not coordinated; there is no definite plan behind them. Furthermore, the problem is that while there is more agreement today than there was a year ago, there is still a long way to go for complete agreement and there is very little time before the key date of 1989.

In the meantime, acts of violence occur over and over and obstruct the political picture even more. While the country wants a democratic system in the future, that system must be reached within a framework of public order. On this point, the situation is far from being soothing or easy for the people or the government.

It was hoped that there would be news on the Canovas case by this week (although on other occasions, the same thing has been said). Nevertheless, there are two contradictory versions of the degree of progress on the case. One says that Canovas does not have conclusive proof in order to sort out those responsible and proceed to file charges, that the questioning of military men is for the purpose of investigating previous acts or the use of the Dicomcar headquarters on Calle Dieciocho, where those involved in the case are said to have been held.

The opposite version is that Canovas is ready to assess responsibility during the week, which could mean that charges could be filed very soon, and that the investigative work is also aimed at determining whether groups or institutions were involved.

It is said that if the rumors are well-founded, the case will cause a great stir in La Moneda [Executive Mansion], which continues to express the hope that the case will soon be solved. To date, the Carabineros have said that there are no members of the institution involved, based on internal investigations, and that if there were, they would be the first to be turned over to the courts.

Consequently, certain sources do not discard the possibility that it is the government itself which, through an internal administrative investigation, could find the guilty parties. (There is in fact a report from the CNI [National Information Center] to Minister Canovas which, while it does supply some evidence, is not conclusive.) If rumors should have some foundation, it is said, it would be less costly for the government to turn over those responsible, before Canovas learns the names. If this path has not been followed, they say, it is perhaps because they did not believe that Canovas would go so far or because they are now paralyzed and cannot react.

Other sources suggest something different: that the government should bring suit against those responsible for the crime of terrorism and that it consequently become part of the process, a process that has already been underway for 4 months without any obvious results, but that, given the seriousness of the matter, could lead to unexpected blows.

Another Important Meeting

Another important meeting will be held this weekend near Santiago. According to what QUE PASA has learned, the international Catholic periodical COMMUNIO, published by political scientist and Vatican adviser Fernando Moreno, is planning an important meeting on the document published by Cardinal Joseph Ratzinger: "Aspects of the Theology of Liberation." For the purpose of attending this private seminar, prominent intellectuals are already in the country, such as the expert on Marxism Father George Cottier, professor at the University of Geneva, and Father Jose Luis Illanes, dean of theology at the University of Navarra.

The seminar is also expected to be attended by important priests and intellectuals from Latin America, mainly Cardinal Alfonso Lopez Trujillo, archbishop of Medellin, considered to be one of the most important theologians at the present time. Studies of the topic will be presented at the seminar. The coordinator of the event is Carlos Martinez F., editor of COMMUNIO.

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CSO: 8148/0222

MEASURES TO STRENGTHEN SMALL, MEDIUM BUSINESS ANNOUNCED

Santiago EL MERCURIO in Spanish 3 Nov 85 pp A-1, A-12

[Text] The Economy Ministry has disclosed the details of the Plan to Strengthen Small and Medium Business. In addition to a credit line of $40 million (financed by the World Bank), the plan includes a series of incentives for businesses in this sector to reschedule their debts individually with banks.

According to background information furnished by the ministry, the purpose of the funding secured last October from the World Bank is to give small and medium business access to investment and working capital.

The credit line looks like this: $36 million for loans, $4 million of which will be for small businesses; $15 million for medium-sized businesses; $1.6 million for export promotion and $400,000 for technological development; $2 million for working capital and another $2 million for technical aid and training.

The Economy Ministry emphasized that this credit line, which will be handled by CORFO [Production Development Corporation] and SERCOTEC [Technical Cooperation Service], would provide investment financing for many firms that have never had access to the banking system; would enable several industrialists to modernize their facilities and to boost output; would enable many facilities damaged by the earthquake to be rebuilt, and would provide ongoing and freely available working capital.

It will also help potential exporters to find external markets and to develop products to meet the needs of overseas consumers, and it will help other companies to incorporate the benefits of modern technology into their production.

An Answer to the Debt Problem

Regarding the case-by-case approach that the government is pushing to resolve the domestic debt problem, the Economy Ministry reported that this approach would be tailored to the realities of this sector.

In this connection, it announced that a series of "ad hoc" incentives would be offered so that each small debtor in trouble could negotiate a final solution with his bank.

As an example, it mentioned that the Superintendency of Banks would ask each financial institution to draw up a program of action for its small business debtors.

This, the ministry added, will be complemented by a classification of reserves for debtors in accordance with the arrangements that institutions work out with small businesses that owe money.

"These and other initiatives that will soon be implemented will enable the case-by-case rescheduling to be effectively applied to small debtors," it noted.

Exports

The Economy Ministry indicated that small and medium business is vital to the country's economic development, because it provides more jobs than other sectors, is a training ground for new businessmen and develops people's sense of property rights, factors that in the ministry's judgment are vital to individual progress and initiative.

It explained that in this connection the government has bolstered its policy of promoting small and medium business over the past 3 years, granting a larger role to SERCOTEC, a branch of CORFO.

As examples, it mentioned the special credit lines for medium-sized businesses and credit lines with subsidized interest rates that are complemented by technical assistance for small businessmen.

The ministry also emphasized that small and medium business must play a prominent role in generating greater savings and investment in the country, which will lead to the creation of new companies, an expansion of existing ones and, hence, more jobs.

In particular, small and medium business must take up the challenge of boosting exports. It was to this end that additional funding was secured from the World Bank and that SERCOTEC and PROCHILE [Institute for Export Promotion] have begun joint nationwide and regional programs to provide information and training to small and medium businessmen who would like to export.

Other Measures

With regard to other existing support measures, the ministry mentioned the amendment to the training incentives law so that workers in and owners of small and medium businesses would be eligible for tax breaks.

In addition, the Small Businessmen's Guaranty Fund Law was recently amended to make it easier for small and medium business to obtain financing from the banking system. The fund can now increase the amount of guaranteed loans from 1,500 to 5,000 UF's [unidad de fomento], and the fund itself has been expanded from 707,000 to 2.8 million UF's.

Moreover, in April of this year CORFO created the Small Business Investment Fund or the Venture Capital Fund. It will have $4 million in initial capital, and its purpose will be to finance equity investment in companies that need additional capital to expand production or to set up new branches.

CORFO and the World Bank will contribute $2 million each as a capital base for this fund. CORFO's share in these companies must always be temporary and no larger than 40 percent of their paid-in capital, and it must sell off its share within a reasonable period of time.

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CSO: 3348/185

STEEL, ELECTRIC EMPLOYEES BUYING COMPANY STOCKS

Santiago TERCERA DE LA HORA in Spanish 23 Oct 85 p 13

[Text] The employees of the Production Development Corporation (CORFO) have bought appproximately 2 billion pesos worth of stocks in CORFO's subsidiaries, announced the minister vice-president of CORFO, Brig Gen Fernando Hormazabal, yesterday.

He stated that the workers of the Pacific Steel Company (CAP) have bought a total of 1.1 billion pesos in securities, and the employees of the Chilean Electrical Company, Ltd. (CHILECTRA) have also bought the securities sold by the company.

He pointed out that these transactions "are fully consistent with popular capitalism, since we want the workers eventually to become the full owners of state companies."

Brig Gen Hormazabal also indicated that about 300 million pesos in stocks have been sold on the Stock Exchange, though he admitted that the buying power on the Exchange "has been low."

AFP

As for the sale of AFP [expansion unknown] stocks, he stated that the plan is to sell 30 percent of the shares of those enterprises that have yielded profits, such as the Chilean Chemical and Mining Association (SOQUIMICH), CAP, ENAEX [expansion unknown], CHILMETRO [expansion unknown], CHILECTRA Generation, CHILECTRA Region V, National Electric Power, Inc. (ENDESA) and its subsidiaries, CTC [expansion unknown], Chilean Laboratories and the National Telecommunications Enterprise (ENTEL).

Brig Gen Hormazabal indicated that this year's goal is to sell stocks valued at some 10 billion pesos, and 20 billion in 1986. He added that over a 3-year period, the total is expected to be 48 billion pesos in stocks sold.

Commenting on the situation of public service rates, Brig Gen Hormazabal pointed out that the enterprises should yield profits commensurate with the investment in the service they provide.

He emphasized, however, that in no way can the enterprises which provide services obtain excessive profits, adding that this fact is known by potential buyers.

COPEC

He also termed "appropriate" the offer by the Angelini group to buy part of the shares of the Chilean Oil Company (COPEC).

Brig Gen Hormazabal indicated that the offer is contingent on an issuance that will enable the group to obtain 51 percent of the company's stock.

The official said that this is the highest bid submitted, and if the transaction takes place, COPEC's finances can be put in order. "Due to a variety of reason," he said, "that enterprise has been unable to carry out new projects, including the 'Celulosa Arauco' project."

He reported that CORFO in studying the offer, and will make a decision soon.

ECOM

Brig Gen Hormazabal also confirmed that in the negotiations with the workers of the Computation Enterprise (ECOM), it was agreed that 100 percent of the stock would be sold.

He indicated that the transaction will take place with approximately 100 persons, and the value of the stock sale will total 270 million pesos. Sixteen percent will have to be paid in cash, and the remainder will be paid over a 9-year term.

Mini Power Plants

The program formulated by CORFO for the 1986-88 period envisions the construction of 10 mini hydroelectric power plants.

According to the minister vice-president of that entity, these units will be installed in Regions X and XII for the purpose of providing various villages with a constant and secure supply of electricity at a reasonable cost.

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CSO: 3348/117

CORFO HEAD EXPLAINS REASONS FOR SALE OF PARASTATE INDUSTRIES

Santiago TERCERA DE LA HORA in Spanish 20 Oct 85 Supplement pp 1-2

[Interview with Brig Gen Fernando Hormazabal Gajardo, executive vice-president of the the Production Development Corporation, by Paula Sutil S.; date, time and place not given]

[Text] He is undeniably the biggest boss in Chile.

Since December 1983, Brig Gen Fernando Hormazabal Gajardo has held the reins of the Production Development Corporation (CORFO).

As executive vice-president, with the rank of minister of state, he controls the most important enterprises in the country, including the Metropolitan, Region V and Generation subdivisions of the Chilean Electric Company, Ltd. (CHILECTRA), the National Telecommunications Enterprise (ENTEL), the Chilean Chemical and Mining Association (SOQUIMICH), the Telephone Company of Chile, Chilean Laboratories, ENAEX [expansion unknown], National Electric Power, Inc. (ENDESA), the Pacific Steel Company (CAP), and Telex Chile.

For this reason, when it was learned that CORFO would begin selling a major portion of the stock in each enterprise, although it would not lose its majority in any of them, there was concern in many sectors. The sale is taking place at a time when the national economy is such that many Chileans do not have enough money to buy this stock. Moreover, each enterprise is classified as strategic, and it provides services that only the government could supply to Chileans.

The executive vice-president indicates, however, that the sale of stock is a "consistent policy" because "CORFO's mission is to form enterprises and transfer them to the private sector or help private parties do so."

Because he is the "biggest boss," now he is going to become "the biggest seller in Chile."

[Question] What is CORFO, which is the Production Development Corporation, doing at this time in the way of promoting productive activity in the country?

[Answer] As you said, CORFO's mission is to promote all productive activities through its administrations. We have the Development Administration, which studies natural resources (defining all possibilities to the point of draft proposals), especially in those areas where we have comparative advantages. This effort is carried out with the institutes. CORFO also encourages production through credit facilities, which is the purpose of the Promotion Administration. I can tell you that for the first time in history, we are lending approximately $45 million per year for the purpose of providing stronger support to many Chilean industrialists and businessmen who have been in trouble. CORFO also supports productive activity through its subsidiaries. We recently opened the Colbun-Machicura enterprise, which supplies electrical power. It must progress and expand production so that other businesses that require this power can be installed.

[Question] More than 4,000 loans have been extended for a total of $131 million. What level of business is receiving this kind of financing?

[Answer] We initially operated with a credit from the Inter-American Development Bank (IADB) that was aimed at all levels of industry, the crafts sector, agriculture, and fishing. These funds have run out, and now we are about to begin new operations with a $40 million loan we obtained from the World Bank. Added to the national contribution, this means we have a total of $52 million. In late December or early January we will have new funds amounting to $250 million, provided by the IADB and national resources.

[Question] Part of these loans have gone to the banking sector . . .

[Answer] No. In the loan we recently serviced, the IADB made an exception and authorized us to use it for working capital for Chilean businessmen. By law, we cannot refinance credits that businessmen have with banks. We do not support the banks.

[Question] How do you explain the fact that on the one hand CORFO is striving to promote the establishment of new businesses, while on the other hand it is selling part of the ones it has, especially those that are healthy?

[Answer] That policy is absolutely consistent. CORFO's mission is to create businesses and transfer them to the private sector, or make them private from the start and support them with credit and guarantees. According to this policy, the most we can do is hold minority shares in private firms. Once we have founded an enterprise, we must transfer it to that sector to attract resources and thus be able to create new enterprises. This is a clear policy that the entire government has followed.

[Question] At the beginning of this government, many state-owned enterprises were turned back over to the private sector. Private businessmen did not have much success, and the government had to take over these firms again to bring them back to health. Now it is privatizing them again. What is the idea?

[Answer] The government believes that many of these businesses failed for reasons beyond their control. In other words, we feel that many of these firms are efficient, and in no way do we want them to remain in state hands.

We have always thought that the private sector is the engine of development, and that the state should play a role of supporting this sector. That is why some enterprises that ended up in the hands of the groups and are still in state hands today should, within a well-defined time period, move back to the private sector.

[Question] What precautions are being taken this time to ensure that the same thing does not happen again?

[Answer] Serious measures are being taken to prevent it from happening. In the case of the sales we are transacting, there is an established obligation to decentralize.

For the AFPs [expansion unknown] to buy stocks in our enterprises, a certain amount of decentralization must take place. On the other hand, aiming at that same objective, we are offering shares in CORFO enterprises to the workers themselves, with very good results. In addition, small amounts are being sold on the Stock Exchange, and, well . . . other regulatory agencies in the economic sphere have taken other measures so that this kind of situation will not happen again.

[Question] Speaking of the AFPs, it is assumed that they must go through a process to buy stock in the CORFO enterprises. Will they have to pay the free value or the real value of these stocks?

[Answer] We are aware that we should sell the stocks at their real value. To keep the transaction above-board, we have hired private agents who specialize in selling securities, such as Bice Chile Consult and the Chilean Investment Company. For the time being, they will negotiate with the AFPs, considering a number of factors such as cash flows, profits and the security of the enterprises, . . . according to prices that are deemed realistic.

[Question] And is the Stock Exchange not involved in this?

[Answer] Another factor that is taken into consideration when determining a price is the value that is being asked on the Stock Exchange. In addition, the amendment of Decree 3500 sets forth a series of conditions that the enterprises must meet before the AFPs can buy them, including classifying. And to classify, they must be on a solid footing, having registered black ink in the last three annual reports.

[Question] You say that agents who specialize in selling securities will study the stock prices. Why can't the market determine those prices through the Stock Exchange, if in fact the stocks are being traded there now?

[Answer] Sure. At this time we are trading them there. We are selling small amounts at a minimal value. In fact, the buying power on the Stock Exchange is limited. For this reason, since the AFPs have a tremendous buying power, we feel that it is best to conduct a prior analysis.

[Question] Doesn't setting a price mean to a certain extent that the AFPs can end up having to pay too high a price, and therefore the funds of their affiliates would be affected?

[Answer] I think the AFPs will protect their affiliates' interests in the negotiations. We do not in any way intend to sell at too high a price. We are going to sell at a fair price.

[Question] Will the AFPs have a say in the management of these CORFO enterprises?

[Answer] The amendment of Decree 3500 grants the AFPs certain powers which the private parties that may be buying on the Stock Exchange do not have, with respect to the management of the CORFO enterprises. When 25 percent or more of each enterprise has been transferred, the vote of 50 percent of that 25 percent (12.5 percent) will be enough to have a say in the investment and production plans of the CORFO enterprises.

[Question] Given the current economic situation, where will private investors get the resources to buy stock in state enterprises?

[Answer] Well . . . I was telling you before that there are limited possibilities on the Stock Exchange. We are selling 2.5 percent a year of each company. That is a tiny amount, because there is no buying power. Some private party or some foreign capital could come along at the right time and offer to buy a considerable part of a company . . . but what we are seeing on the Stock Exchange is that there is little buying power.

[Question] Are you telling me that foreign capital could buy stock in these state enterprises?

[Answer] Within the limits we have established for selling. They could not obtain a majority.

As you know, at the beginning of this government, the Corporation had a large number of firms that it sold to the private sector. Almost all of them were sold. Today, we are transferring the Computation Enterprise (ECOM), among others, to the workers themselves, and we are being quite successful.

The government has decided that some small companies which have fallen into our hands temporarily because they have gone bankrupt and no private parties are interested in them, should continue to operate and take responsibility for the debt. These companies will also be sold to the private sector.

The other enterprises, which were defined as strategic because they provide a public service or are subsidized, are the ones that have remained in state hands.

[Question] Why has the position on the strategic enterprises changed?

[Answer] Well, because that does not contradict the first objective: As long as we sell only a minority share, the companies are still under state control.

[Question] Some say that the need to privatize these "strategic" enterprises has arisen because of the lack of resources in the national economy.

[Answer] That is one reason. But I would say that it is not the fundamental reason. In fact, the amount of funds that will be obtained this way is not so significant. This year we have set a goal of obtaining 10 billion pesos, and we have not yet started with the AFPs. Next year our goal will be 20 billion pesos. The primary objective is that for a variety of reasons, mixed ownership of these enterprises is considered a good idea.

[Question] What are those reasons?

[Answer] Perhaps the most important is that in other governments, there was too much political manipulation of these enterprises, which translated into rates set too far below costs. The result was a difficult situation for the enterprises, with the consequent instability for the workers.

We think that with mixed ownership, as can be seen already in some enterprises where we have some private shareholders, the private owners refuse to agree with setting rates below costs. That is entirely logical, and they are right. In the future, we cannot have the state making up the difference with subsidies. This has been the government's policy from the beginning, and I think it is healthy. The government has asked us not to transfer the Maritime Transport Enterprise, "Transmarchilay," (which I consider a "service" enterprise) to the private sector exclusively, because it does set its freight rate below costs.

[Question] And how does the government manage things there?

[Answer] The government pays the difference to the enterprise that manages it; otherwise, it would go bankrupt. And to strengthen the policy even further, preventing the company from becoming accustomed to receiving a higher subsidy than it deserves, the government holds bidding for that subsidy. The company that asks for the least government support, while maintaining rates, is the one that provides the service. Thus, Transmarchilay has won every year, and we are certain that the subsidy we give it is the minimum necessary.

[Question] You have told me that the private sector is interested in profits. What will happen to CHILECTRA and . . .?

[Answer] They will receive the maximum profit, and CORFO a reasonable profit.

[Question] Does this mean that service rates will continue to rise?

[Answer] The private minority shareholders would have to prove to us that the rates are too low, but they could not force us to set rates that would yield excessive profits; that is why we are going to control the majority. They can object, but they cannot force us to do anything, so we will remain in control.

The controversial issue of public service rates will be decided by the Economy Ministry, not the owner of the enterprises (which is the government), through

CORFO. If CORFO had to set the rates, it could be alleged that it could be biased and raise them higher than necessary. That is why a regulatory and supervisory agency, the Economy Ministry, has been designated to make such decisions. You know that Minister Delano decreed a revision of telephone rates . . .

[Question] Moreover, Minister Delano gave rise to expectations that rates would actually drop . . .

[Answer] Minister Delano had a study done, and the study concluded that there were no abuses in the overall collections of the company. But Minister Delano did discover some distortions, and he saw a way to help the consumer without harming the enterprises. In fact, telephone rates stayed the same. I would say that the company's profit rate is just normal, not at all above normal. For this reason, the rates could not be lowered, but a different schedule could be put out that would not affect overall collections. The study was good; it yielded positive results, and I was satisfied. It was actually proven that there were no abuses in collections.

[Question] Nevertheless, there are still complaints that the rates are too high . . .

[Answer] We are in fact aware that rates can come down as we improve efficiency. We are working on that, because that is another way to promote productive development. We are talking about the power companies where we are aware of how expensive rates are in this country, especially in the north. But that is what it costs us to produce power today. And as I said earlier, we cannot charge rates that are below costs, unless the government decides tomorrow to lower rates and subsidize, but . . .

[Question] Would that be a decision we could call political?

[Answer] Yes. But the government has never considered that an appropriate alternative, and it takes that step only in very specific and critical cases. In the northern part of this country, people complain that energy is extremely costly . . . And so it is, because it is oil-based energy. Now we are turning to coal, and later we intend to install one or two small hydroelectric plants, which are more economical. Now they want a subsidy. And what would a subsidy mean? It would mean that all Chileans would pay for it. We think that such a system is not very wise, because every product should reach the consumer at its real cost.

[Question] You have indicated that it is not fair for all Chileans to pay. But when companies go bankrupt, the ones who pay are indeed all Chileans: Moya. What assurance do we have that we will not face the same situation with the sale of the state-owned enterprises?

[Answer] Well, because of the precautions that have been taken. In addition, the government sought to keep losses to a minimum, and chose the solution that would entail the least sacrifice. The loss on their part was already a fact, and there was no better solution. But I reiterate that precautions have been taken. If you ask me, as the Production Development Corporation, I can tell you that whatever we sell and the loans we extend come with good guarantees. For example, we appraise a loan to buy a company at 80 percent, meaning that we do so at a 20 percent loss.

[Question] Excuse me for asking again, but where are private investors going to get the money to buy into companies if the government does not give it to them?

[Answer] Well, we hope that . . . foreign capital will come in. You are asking me a question about an area over which I have no control. As a matter of fact, a formula has even been devised to permit the creditors themselves to capitalize some companies, if they are group companies. I cannot give you an overall policy to achieve a total solution. The best formula is being sought on a case-by-case basis.

[Question] And who will guarantee these foreign investors that these enterprises will not be nationalized, in an uncertain political future?

[Answer] I think that mixed ownership on the basis of minority stock does not pose a risk, and actually, each case will have to be studied individually. Foreign investors require a series of regulations to protect them against that risk.

[Question] A report issued by the Secretariat of the Presidency defends the expansion of the CORFO staff by 284 positions because of the Corporation's increased activity, the CORFO plant. CORFO is currently authorized to employ 377 persons . . .

[Answer] CORFO must regularize the situation of a number of people for whom we have had to ask for support. Specifically, we must hire more evaluators, because a large number of good projects are coming in that have to wait due to the shortage of professionals. The Inter-American Development Bank (IADB) has made the new loan contingent on our hiring the appropriate number of professionals. It refers to the number, not the quality, because the quality is already excellent. On the other hand, the General Comptroller's Office of the Republic requires that we monitor and conduct an internal audit of all subsidiary enterprises. The officials you mentioned belong to subsidiaries that are carrying out activities for us.

[Question] In June 1985 CORFO paid out 30 million pesos for a pilot project of microenterprises for the Employment Program for Heads of Household (POJH). What was the result of that 3-month plan?

[Answer] In fact, the information I have is that it has yielded quite good results. Col Jara, who is in charge of that, has urged me to continue supporting it.

[Question] The opposition sectors point out that the companies that CORFO privatized at the beginning of the regime would have been "sound" today . . .

[Answer] I would say that that is likely. Some firms were quite efficient but got into difficulties because resources were sucked out of them to be used for activities they had nothing to do with.

[Question] Is that the risk that is, to a certain extent, hidden?

[Answer] It is hidden. That is why the banks are complaining now that the Superintendency is controlling them too much . . .

[Question] And that it is even classifying them as bad risks . . .

[Answer] That is right. Not too long ago, someone asked me what was the reason behind that excessive control. My reply was just that: to prevent the same thing from happening again.

[Question] Some think that the government is losing its assets by selling part of the strategic enterprises.

[Answer] The resources will not leave the government. No private party is going to take them home. Instead of having a 30 percent share of the stock, we will have 70 percent in capital, which will not be taken from the government. This does not mean a reduction of the enterprises' assets; the government will use them in new productive activities, to create new industries, or finally, to help the private sector continue to develop by giving it loans.

[Question] And with these new resources, will the government develop firms that will compete with private monopolies?

[Answer] A company that has a monopoly in a sector cannot oppose the development of another company, as long as the resources are there. The government has developed a forestation plan for the purpose of encouraging the formation of businesses in this sector. Cellulose production is one example. CORFO will be glad to support these projects if they are good.

[Question] Why is CORFO selling 14.3 percent of the capital stock of the Chilean Oil Company (COPEC) at this time, when no one knows who will be the future owners of COPEC?

[Answer] That is an excellent firm, and with regard to the new owners, that is not an important issue. The situation will become clearer soon.

As of press time, we were trying to find out the results of the bidding on CORFO's COPEC stocks, but it was impossible. Nevertheless, we did learn that the Angelini-Grace Group submitted a bid to buy 14.3 percent of COPEC's capital stock for $25 a share. The bid also required a new issuance so that Angelini-Grace could become a majority shareholder.

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CSO: 3348/117

MINISTRY PRESENTS STRATEGY TO SURMOUNT COPPER CRISIS

Santiago EL MERCURIO in Spanish 3 Nov 85 pp B-1, B-2

[Text] The serious worsening of the country's terms of trade in recent years (that is to say, what we receive for our exports and what we pay for our imports) is clearly reflected in the ratio between copper, our main export, and oil, our main import.

In 1973, 3.4 pounds of copper were needed to buy a barrel of oil. By 1984, we had to sell 45 pounds of copper to purchase the same barrel. It bears noting that in 1973 the average price of copper was $1.84 per pound, while last year it averaged 61.8 cents (both in constant dollars). As of the first half of this year, the average price stood at 64.6 cents on the dollar per pound.

In a recent lecture at the International Studies Institute of the University of Chile, Mining Minister Samuel Lira discussed the causes of the steady drop in copper prices, the prevailing situation in the industry and on the market, and our country's long-range copper strategy.

In his address Minister Lira explained the structural changes that have taken place on the copper market and that have led to a sharp drop in prices. Among them he cited the post-World War II decline from the high level of concentration and vertical integration that had characterized the world copper industry since the turn of the century. In 1948, the five largest companies controlled about 60 percent of industry output. Four of them were American, Anaconda, Kennecott, Phelps Dodge and Amax. Twelve years later, the five largest companies at the time accounted for just half of industry output, and the figure had fallen to around 40 percent by 1981.

Another major change has been the gradual penetration of substitutes, mainly aluminum, into traditional areas of copper use. In addition, the degree of vertical integration in the copper industry has declined, often as a result of nationalizations, and thus production has become divorced from the stages of further processing.

Consumption Patterns

The growth rates of consumption in recent decades "are unquestionably worrisome," Minister Lira indicated in his speech. While consumption has risen by 1.6 percent a year over the past 10 years (1974-1984), the annual averages during the previous 2 decades (1954-1964 and 1964-1974) were 6 and 3.3 percent respectively. In other words, consumption has increased over the past decade at a rate that is half or less than half of the growth rate in previous decades."

Among the reasons for the decline in demand, the minister pointed to "the sluggish growth of the world economy, the major decline in the intensity of copper use (particularly in the developed economies), the replacement of copper by aluminum, plastics and fiber optics, and the use of wireless communication. One last reason for the drop in copper demand is miniaturization."

Based on this picture, "analysts agree that the outlook for consumption is not optimistic, inasmuch as they feel that the same factors that have dampened copper use in recent years will remain in place. According to various projections, the likely growth rates of world copper consumption are about 2 percent a year over the next 15 years."

The Long Term

Chile is the world's leading producer and exporter of copper today. The country has between 25 and 30 percent of the world's copper reserves. From 1921 to 1981 it was, without interruption, the world's third leading producer, after the United States and the Soviet Union, and since 1982 has held the top spot with an average yearly output of over 1.2 million metric tons.

Minister Lira underscored in his address that "it behooves a producer like Chile, which has low production costs and large reserves, to maintain its current level of production and to look into and develop profitable projects that will enable it to meet the expected increases in future world copper demand."

He added that "the rationale for a strategy like this is the high private and social profitability of many projects in the large state-owned mining companies and of certain foreign-investment projects." The minister said that there are no grounds for the claim by certain circles that the country ought to cut back its production and postpone the start-up of its most promising projects.

The second major line of long-range action is "the need to maintain and boost the country's competitiveness on the world market." The minister emphasized that a key factor in Chile's consolidation as the world's number one producer has been its ability to produce at very low costs, mainly because of the rise in its production efficiency.

The average cost in the large copper mining companies was 83.7 cents on the dollar per pound in 1974, dropping to 40.4 cents in 1984 (in 1984 dollars). Contributing factors in this decline have been fuel savings from the replacement of oil by coal, higher labor productivity, and expansions and modernizations in processes and equipment.

The third major policy for Chile's copper industry is to boost demand. This can be achieved by further rationalizing and coordinating production and investment in the worldwide industry and by making it clearly known that Chile intends to be "a reliable, prompt and relatively stable supplier in terms of delivery times, product quality and continuity of output and sales."

A second way of boosting copper demand is to develop and promote new uses for the metal. This has been one of the weakest points in producer strategies.

Lastly, Lira indicated that "surmounting the depression and structural instability on the copper market requires broader cooperation among producers, including, in addition to the CIPEC [Intergovernmental Council of Copper Exporting Countries] nations, other major copper producers and consumers."

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CSO: 3348/185

CURRENT PETROLEUM SITUATION, HISTORIC DEVELOPMENT

Buenos Aires ENERGIA 2001 in Spanish Oct 85 pp 30-33

[Article by Eugenio B. Viloni]

> [Text] This report by Dr. Eugenio B. Viloni, marks the beginning of our coverage in Colombia, which is part of the overall plan of an opening to all of Latin America. The main events in Colombia's oil history include the discovery of a major field at Cano Limon, near the Venezuelan border, which means the incorporation of 200 million m^3 of crude oil reserves, a reliable supply and eventual exports of 150,000 barrels a day. Second, one must mention the startup of an ambitious plan of secondary recovery at the old middle Magdalena deposits, with an investment of $400 million.

At a seminar on the energy sector scheduled by the Ministry of Mining and Energy in Tenza, Boyaca, the president of ECOPETROL [Colombian Petroleum Enterprise], Alfredo Carvajal Sinisterra, announced that the Cano Limon oil field in Arauca has reserves of 1.3 billion barrels -- over 200 million m^3. It is high-quality crude of between 29° to 32° API, making it the most important discovery ever made in Colombia.

From this volume of oil, the national enterprise deems that in the primary production phase, some 600 million barrels could be extracted, a little over 46 percent of the total given.

The area is part of the Cravo Norte partnership contract on the Venezuelan border (see map below), between Occidental and ECOPETROL.

Maximum production projected is 200,000 barrels a day starting in 1987, once the pipeline from Cano Limon to the port of Covenas on the Caribbean goes into operation.

Starting in 1986, there are plans to produce 60,000 barrels a day, meaning that Colombia will regain self-sufficiency.

The total investment programmed to develop the deposit is some $3.4 billion, borne equally by Occidental and ECOPETROL. In 1985-1986 alone, $1.8 billion will be invested, 50 percent of which will go to national contractors, which presumes a heavy participation of Colombian technology and work.

Once the deposit is in full production and an adequate transportation infrastructure is in place, Colombia will be able to export 150,000 barrels of crude a day. To give an idea of what this means for the country, one should recall that at the present time, it produces 70,000 barrels a day and imports some 40,000 barrels.

At current prices, oil of the type found in the Cano Limon area is worth between $27 and $28 a barrel, while the heavier crude which the country produces brings $24 on the international market. Naturally, this will be one of the fundamental factors to take into account when it is decided what type of oil should be exported. According to statements by the Ministry of Mines and Energy, it will be "the type most in keeping with national interests."

By way of royalties, the Arauca intendancy will receive some 7 million pesos a year when the field goes into full production, according to ECOPETROL estimates. Based on the current rate of exchange (139 to the dollar) and the values of 170 which it is estimated the American currency will have by the end of the year and 210 by the end of 1986, the royalties would amount to $33.1 million.

Another event of prime importance for the future of Colombian oil occurred in the first week of June of this year, when the reversion of the old Yondo concession transferred Shell Condor to ECOPETROL. The concession is on the Middle Magdalena, across from Barrancabermeja, which is ECOPETROL's largest production center. It includes the Casabe deposit, which since 1974 has been operated by the national company, which that year paid $3.5 million for all the shares of Shell Condor, owner of the area up to that time. Although the operation has been going for 11 years, it was only made formal recently, when the 40-year period of the concession expired.

The most important thing in this case is that at the Casabe field, ECOPETROL began a program of secondary recovery on 28 June involving the injection of water. Based on estimates, another 71 million barrels of crude rated 19° API will be recovered in 16 years (this figure must be added to the 217 million barrels accumulated so far).

At the present time, this deposit, discovered in 1941, is producing some 3,100 barrels a day, a figure that should increase to 16,000 by the end of 1985 and 26,000 barrels a day by 1987.

The investment, estimated at $400 million, will have $70 million from the World Bank, $60 million from suppliers' credits and the rest from ECOPETROL resources. The enterprise estimates that once the operation is in full swing, the return will take 3 years.

The project was approved by ECOPETROL in 1983 and since that time, drilling programs using the injection of water have been followed. To date, 225 of the planned 533 have been completed, 500 of these being for the injection of water and 33 for the production of crude. In addition, another 324 wells already in existence will be rehabilitated. When the project is in full operation, 300,000 barrels of fresh water will be injected a day and production will be 240,000 barrels, 40,000 of these of crude. According to ECOPETROL studies, there will be four injection wells for each production well. The water used, which will later be recovered with the oil, will go through special chemical treatment before being dumped into the Magdalena.

The process of injection, extraction, separation of the oil from the water and the treatment of waste water means that the investments will be very large and the equipment to be utilized among the most sophisticated in the world.

The nine electric pumps will cost over $5 million. There will be 15 enormous pools for the treatment of salt water resulting from the extraction. The machinery required will be operated with electric power coming from an 18.5-megawatt substation.

Long History of Colombian Oil 1905-1985

The history of the Colombian petroleum industry began in 1905 with the De Mare concession on the middle of the Magdalena River, near the city of Barrancabermeja. The first discovery was made by the Tropical Oil Company, subsidiary of Exxon, in 1918, which found what for many years was the most productive area in the country.

In 1921, the Infanta deposit was incorporated and remained in production until 1984, with a daily extraction of 300 m^3/day. El Cira, discovered in 1925, continues to produce 1,500 m^3/day, with an accumulated total of 74 million m^3.

In 1930, the Barco deposit began to produce, with two areas of special significance: Petrolera and Carbonera, near the Venezuelan border. The productive formations in this basin are considered as an extension of Lake Maracaibo, so that it was not surprising that in 1945, the Tibu field was incorporated and is still producing 700 m^3/day.

In 1943, exploration of the lower basin of the Magdalena provided greater success with the discovery of the El Dificil deposit, which supplies gas to Barranquilla, and the Tablan deposit, which provides gas to Cartagena. In the northern Magdalena basin, Texaco has the Velazquez and Palagua fields, which continue to produce about 1,500 m^3/day.

In 1963, a new oil province was incorporated with the discovery of the Orito deposit, near the border with Ecuador. This includes the fields of Loro, San Miguel, Sucumbios, San Antonio and Churuyaco. Production began in 1969 with the construction of a pipeline through the Andes Mountains. The area has reserves of an estimated 40 million m^3, of which 25 million have already been extracted. In 1984, daily production was 2,000 m^3.

In 1966, Chevron discovered a deposit in the Zulia River area with a production of 6,000 m^3/day, which has now declined to 500 m^3/day.

By way of summary, it can be said that the Magdalena deposits, especially those in the middle section, are being exhausted, since 80 percent of the oil in situ has been extracted. The future of the area therefore depends exclusively on the success of the secondary recovery project that ECOPETROL launched in June, as we have already reported.

Recent Years

In 1970, Colombia reached its highest oil production in history with 38,000 m^3 a day. From that time on, a steady decline could be observed, reaching 20,000 m^3/day in 1980. At that point, ECOPETROL thought that reserves had dwindled to 90 million m^3.

This substantial drop resulted from flaws in the strategy of exploration since out of the 11 sedimentary basins covering half of the country's territory, only 4 had been intensely prospected.

By 1984, only 1,170 exploratory wells had been drilled and most of them were in the Magdalena River valleys.

At the present time, the center of attention is in the Eastern Plains in the central region of Colombia, from the Andes Mountains to the Venezuelan border.

Actually, the first well drilled in the zone was by Shell in 1944, with negative results. The area was thus ruled out, based on the argument of its distance from centers of consumption. In 1969, Chevron made the first commercial discovery with the Castilla field, with reserves of 15 million m^3 of heavy crude. That was the date which discouraged exploration in the area, so that in the period from 1969 to 1984, only 70 exploratory wells were drilled in the extremely large sedimentary basin.

The shift occurred after the success of ELF-Aquitaine [Gasoline and Lubricants Company of France], with the discovery of the Trinidad field in 1974, which was later confirmed by the Casanare find in 1979. In 1983, production began at Trinidad, Cano Garza Tocaria and Barquerena, with a daily production of 3,000 m^3.

In 1980, Exxon found the Saravena field near the city of Arauca on the Venezuelan border and southwest of the Barco deposit. Initial production was estimated at 300 m^3 a day, but unfortunately, the successive drilling -- the deepest in Colombia, reaching 6,100 meters in some cases -- did not confirm the importance of the discovery.

As we said at the beginning of the article, the most significant discovery in Colombia's oil history was made by Occidental Petroleum, which began its explorations in 1981 and 1 year later discovered the Cano Limon field 90 km from Saravena, where it has already drilled three wells with a daily production of 1,500 m^3 each. It is crude oil with a rating of 33° API and reserves exceed 200 million m^3.

After this success of Occidental, in June 1984, ELF-Aquitaine and Houston Oil found the Morichal deposits with production of 200 m^3/day in the southern region of the Eastern Plains. On the upper Hagdalena, Tenneco found an area in Huila (Huato 1), where together with ECOPETROL, it extracts some 200 m^3/day. The Irish Eglington Oil also discovered a production zone in San Sebastian 110 km from Cartagena, still not quantified.

The next step for Colombian oil will be offshore exploration. Hydrocarbons are known to be present in the Ballena, Riochacha and Chuchupa fields. An aggressive offshore exploration program will be carried out by Chevron and ECOPETROL.

ECOPETROL and Contracts

Since the beginning of oil operations, Colombia has concluded 160 contracts with international companies. In December 1983, there were 19 contracts in operation and that figure reached 55 in 1984. Among the companies most active are Exxon, Occidental, ELF-Aquitaine, Chevron, Union Oil, Penzoil, Triton, Colcitco, Tower Bridge and Leed.

The increase in private activity has been reflected in the number of exploratory wells, which went from 18 in 1982 to 36 in 1983 and 60 in 1984. Colombian contracts provide for a period of up to 6 years of exploration, with the requirement of drilling 2 wells (in the fifth and sixth years). If a discovery should be made and it is commercial in nature, then ECOPETROL joins with the explorer and pays 50 percent of the cost of exploration. Of production, 20 percent goes to the government as royalties, while the rest is divided into equal parts between the contractor and ECOPETROL.

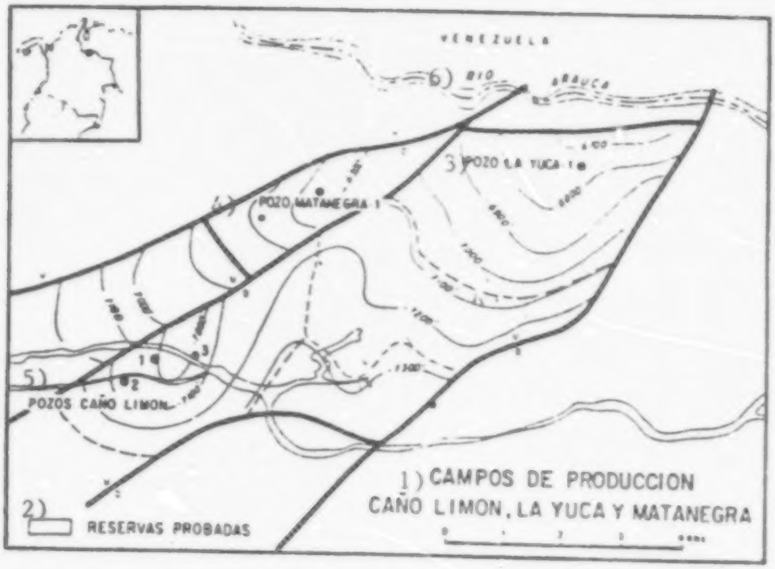
The national company has a short history, being founded in 1951 when it took over administration of the De Mare deposit, now in the hands of Tropical Oil. It has a daily production to administer of 15,000 m^3, from the De Mare, Barco, Casanare and Putumayo basins. For 1989, its programs anticipate a daily production of no less than 25,000 m^3 to administer.

The country has a refining capacity on the order of 35,000 m^3/day and it uses 90 percent of the installed capacity of the four refineries in operation (two of them large-scale).

Biographical Information

Eugenio B. Viloni graduated with the degree of doctor of natural sciences, majoring in geology, from the University of Buenos Aires in 1947. He worked as a geologist for the YPF [Government Oil Deposits] from 1948 to 1954. From 1954 to 1957, he worked in the United States for the National Geophysical Company and the GSI. From 1957 to 1978, he served the Tenneco Oil Company at various international posts in his area of specialization. He returned to Argentina, where he was a geological consultant and manager of exploration for Petrolera Argentina San Jorge and Pluspetrol. At the present time, he is general manager of Triton Colombia, Inc., with headquarters in Bogota.

Arauca Oil Field


VENEZUELA
6) RIO ARAUCA
3) POZO LA YUCA 1
4) POZO MATANEGRA 1
5) POZOS CAÑO LIMON
1
2
3
1) CAMPOS DE PRODUCCION
CAÑO LIMON, LA YUCA Y MATANEGRA
2) RESERVAS PROBADAS

Key:

1. Cano Limon, La Yuca and Matanegra Production Fields
2. Proven reserves
3. La Yuca well
4. Matanegra 1 well
5. Cano Limon wells
6. Arauca River

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CSO: 8148/0296

PROPOSED METHANOL PLANT EXPECTED TO PRODUCE PROFITS

Santiago EL MERCURIO in Spanish 6 Nov 85 p C-6

[Text] Chile will receive nearly $2.7 billion in revenue during the first 20 years of operation of the methanol plant being built at the Strait of Magellan by the international company Signal, Inc., which is supplying 85 percent of the capital.

The rest comes from Chilean private investors.

The figure to be received by the foreign firm would reportedly amount to $800 million. The methanol plant will be located at Cabo Negro at the Straight of Magellan some 30 kilometers from Punta Arenas.

This information was released by the assistant manager of development of the National Petroleum Enterprise, Miguel Durney, who spoke at a conference on the "Use of Natural Gas From Magellan in Industrial Projects." His talk was given at a seminar on chemical engineering within the framework of a series organized by the School of Physical Sciences and Mathematics of the University of Chile.

Durney said that certain aspects of the contract are still under review, but that the study should be concluded in the days ahead. He added that this constituted no obstacle and that work on installation of the plant has already been initiated. It is hoped that the first construction of any scale will take place in January.

Explaining the way in which Chile will obtain the income, Durney said that $900 million would be in the form of taxes to be paid by the firm and $1.8 billion from the direct sale of gas, mainly to foreign countries.

The plant will provide jobs for some 200 professionals directly, most of whom will be foreigners in the early stages.

Investment and Demand

The project involves a total investment of nearly $400 million, $40 million of which will be contributed by the National Petroleum Enterprise, which will have to build a 185-kilometer-long pipeline. The pipeline is necessary to deliver the gas to industry, which will process the methanol.

Demand for this product, Durney explained, is rising and it is anticipated that that by the year 2000, consumption will double, reaching 1 million metric tons.

Its use is increasingly connected with the replacement of benzine, with an accompanying improvement in octane readings and a drop in the percentage of lead, a highly polluting element. Whence the growing interest in the product.

With respect to the advantages that finally caused foreign investors to invest in the methanol plant, he said that they were directly related to the low cost of the raw product and the infrastructure required by Signal. Access of both factors is facilitated by the nearness of the industry to the city of Punta Arenas.

Gas in Valdivia

Durney also emphasized that the fact that the gas from Magellan was being worked does not mean that it was the only area that had the product. In fact, he said, different research has been done throughout the national territory, even with drilling on the continental shelf.

According to data obtained, there are reportedly gas reserves in a few small oceanic zones: some 20 kilometers from Valdivia, on Mocha Island and also off the coast of Temuco.

He said that efforts aimed at finding new areas of development have even included the area of Osorno and the Pampa of Tamarugal.

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CSO: 3348/171

GOVERNMENT PROPOSES MEASURES TO ENHANCE AGRICULTURAL SECTOR

Santiago EL MERCURIO in Spanish 31 Oct 85 pp A-1, C-2

[Text] Yesterday, President Augusto Pinochet officially opened the International Livestock Exhibition and Fair of Santiago, FISA '85, a traditional event organized by the National Agricultural Association (SNA), which will run until 10 November.

On that occasion, the chief of state also signed an order establishing the foundations of a national rural housing policy.

At the same ceremony, Minister of Agriculture Jorge Prado announced that the coming harvest season will result in a positive agricultural trade balance of $650 million, wheat production amounting to 14 million quintals, supplying over 80 percent of the national consumer needs, and fruit exports totaling 62 million crates.

These positive announcements are joined by the promulgation of the new irrigation law and the study, now in the hands of the Government Junta, of a project return 10 percent of the liquid assets for products exported.

All of these factors seemed to back the president of the SNA, Manuel Valdes, who, in speaking at the FISA, maintained that farmers have regained their confidence and are working in a climate of stability.

The opening ceremony of the international exhibition took place at the National Agricultural Association's Congress Center located at Parque Cerrillos in the capital. It was attended by the nation's First Lady, Lucia Hiriart de Pinochet, the members of the Government Junta, other ministers, representatives of the diplomatic corps and the private business sector.

At the close of the ceremony, the president and other officials toured the various pavilions and stands at the fair for several hours. The 335,000-square-meter area accommodates 20 countries, including Chile, 1,954 national and foreign exhibitors and capital goods and consumer products worth $72 million.

Speech by Prado

Minister Jorge Prado emphasized the benefits of the new irrigation law, published yesterday in the DIARIO OFICIAL, noting that "the planting begun on

11 September 1973, with the reaffirmation of the right of property, has led us to harvests that are more abundant each year."

Prado then reviewed the 1984-1985 season, outlining its main accomplishments: the export of agricultural and forestry products worth over $900 million; supplying all national consumer needs for rice, corn, poultry, eggs, potatoes, produce, swine and sheep; supplying over 90 percent of all milk, red meat and sugar consumed; meeting 70 percent of all wheat needs and over 20 percent of fats and oils; a favorable trade balance in the sector of $560 million; employment for over 400,000 persons, with an unemployment rate of under 5 percent, the lowest of all national activities.

Excellent Prospects

He also said that the harvests that will begin in a few weeks "promise even better results than those of the past season." He quoted the following indicators: fruit exports of over 62 million crates; an estimated production of 14 million quintals of wheat, enough to supply over 80 percent of all national consumption; production of 60 percent of all national needs for fats and oils, with a planted area of 85,000 hectares; a positive trade balance in the sector of $650 million for 1986.

He estimated that there may even be surplus production, as a result of which he said that the use of advanced technology must be intensified in labor so as to reduce costs and compete on international markets.

"The yields we are obtaining in oil-producing crops and corn give us the possibility, with a small effort on our part, of exporting oil, corn and fowl," he said.

He also maintained that there must be a diversification of production, orienting it toward exports, and an intensification of the establishment of agro-industries.

"The government is adopting the necessary measures in order to provide incentives to producers and exporters. The Government Junta now has before it a bill establishing the restitution of 10 percent of all liquid returns, based on the FOB value, for all products exported and which, in 1983 and 1984, show shipments of up to $2.5 million. The provision will be applied to volumes exported of up to $7.5 million per category," he said.

Prado added that over 90 percent of all exportable products in the sector are in a position to be covered by the provisions of the study.

He admitted, however, that "not all the problems affecting agriculture have been solved" and that "the category suffering the greatest deterioration, without any doubt, is grapes and viticulture."

He explained that the government's position on this matter is that wine production must be suited to domestic demand (58-percent drop in the last 50 years) or seek better possibilities of export. "Any kind of artificial intervention would only aggravate the problem and delay the adjustments which it is impossible to avoid," he noted.

He emphasized certain points established by the law on alcohol, recently passed, especially the minimum gradation of 11.5, which "practically renders wine making from table grapes impossible, for they cannot supply that alcoholic level." He recalled that next year, Chile will host a World Wine Congress.

Regarding achievements of social development in the rural sector, he mentioned the construction of over 6,000 housing units, financed through housing subsidies in the past 2 years, and the delivery of materials in order to solve housing problems of 8,200 families hit by the 3 March earthquake.

Finally, he appealed to "rural men and women to make the maximum effort, today more than ever, working for the development of our nation, turning a deaf ear to those who would lead them into unconstitutional adventures altering stability and social peace."

Rural Housing Policy

The national rural housing policy, the order states, will make it possible to develop housing programs in towns and rural areas and strengthen rural areas, while providing work for small and medium-size construction companies that engage in their activity in their own geographical area, with the resulting impact this represents.

The order stipulates that this policy will concentrate its attention on lower-income sectors of the population, whom it seeks to make homeowners, first of all clearing titles when necessary. Housing acquired with government aid will basically be financed with the familiar effort of advance savings, complemented by the housing subsidy for rural housing. In addition, beneficiaries may take out additional mortgages with financial institutions.

As a general principle, the goal is to tend to strengthen the policy of regionalization postulated by the government, seeking to keep families in the area and environment in which they now live, "which will in turn inhibit the country-to-city migratory trend and thus prevent the negative effects which such migrations cause when they are uncontrolled and disorganized."

Manuel Valdes

For his part, the president of the SNA, Manuel Valdes, emphasized the high technical level of the International Livestock Exhibition and Fair. He said that farmers have regained their confidence and are working in a climate of stability, which is a cause and effects of agricultural and forestry accomplishments in recent years.

He pointed to increases in employment (7.5 percent compared with 1984), the gross geographic product for agriculture and forestry (8 percent over 1984' and the agricultural trade balance (surplus of $550 million in 1985).

"Fortunately, the authorities have understood and shown the importance of laying out a path and sticking to it for the period stated, which encourages us to produce and invest with increasing confidence," he said.

Two problems face the sector, in his opinion: the debt and the situation of viticulture. He said that the former involves thousands of farmers, "most of them small and medium-size operators" whom he called viable.

"No one is asking not to pay," he said. "What they want is to have the possibility of doing it with terms, interest and readjustment possibilities in keeping with the returns of the farmer in eebt."

Concerning viticulture, he said that the law on alcohol is not enough to revive the activity. He added that the SNA must therefore design the foundations of a policy tracing the future of that activity, "once the pride of our nation."

Concerning exports, he said: "The figures must not deceive us. We have exported more, but at lower unit prices."

He maintained that the step taken with the new irrigation law "reveals a far-reaching political decision and that it must constitute a historic step for agriculture."

Valdes noted that "the agricultural and forestry sector will be the great mainstay of stable development and revival through which, along with other factors, the rest of the areas producing goods and services will begin to regain the rate of economic development to which they and the country legitimately aspire."

Touching upon another topic, he said that "one basic element of social peace consists of promoting rural development, an unavoidable requirement if we want to save Santiago." In that sense, he expressed his satisfaction over the promulgation of the order on the national rural housing policy, which President Pinochet signed only a few minutes later.

Finally, he asked "our friends visiting us from all regions and continents to send the message that we have confidence in Chile."

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CSO: 3348/171

CHILE

BRIEFS

UNEMPLOYMENT REGISTERS SLIGHT INCREASE--The national unemployment rate for the July-September quarter of this year was 13.6 percent, according to Hector Kappes, head of the Department of Labor Statistics of the National Institute of Statistics (INE). Kappes stated that of this figure, 10.9 percent corresponds to the jobless and 2.7 percent to those seeking work for the first time, adding that unemployment experienced a slight rise compared with the June-August quarter. However, Kappes stated that compared with the July-September period of last year, unemployment dropped 2.1 percent, which reveals the effort being made to increase employment levels. He also indicated that in the metropolitan region, unemployment during the quarter in question rose to 18.4 percent, which means an increase of 3/10 compared with the previous quarter. The total number of unemployed throughout the country is 514,000, 412,100 corresponding to the jobless and 101,900 seeking work for the first time. In the metropolitan region, the number of unemployed is 287,000 persons. [Text] [Santiago TERCERA DE LA HORA in Spanish 5 Nov 85 p 11] 11,464

STATE SUBSIDIZES IRRIGATION IMPROVEMENTS--Law 18,450 was promulgated yesterday, establishing that for 8 years, the government will give rebates of up to 75 percent for the cost of construction and repair of irrigation or drainage facilities and investments in equipment and mechanical irrigation elements aimed at increasing the area irrigated. In addition, the law is aimed at improving the supply of water to areas with insufficient irrigation or at rehabilitating poorly drained farmland, through specially selected and approved projects. The cost of the projects and the amount of the investment cannot exceed 12,000 development units. Article 4 of the law states that the National Irrigation Committee will periodically hold public bidding in which individuals or companies owning or using farmland may participate. The bonus will be paid when the projects have been completed and received. Law 18,450 will go in to effect on 1 January 1986, although previous to that date, the president may set forth the respective regulations to go into effect immediately. [Excerpt][Santiago TERCERA DE LA HORA in Spanish 31 Oct 85 p 11] 11,464

SOUTHERN FARM DEBT TOTAL--Valdivia--According to a study made in May, farmers in the southern region of the country owe nearly 11 billion (10,997,390,000) pesos payable within 1 year. The longer-term debt amounts to 24,589,759,000 pesos, all of which totals 34,016,517,000 pesos or $754,289. This astronomical figure affects 6,000 persons in the 8th to the 11th regions, including both large and small farmers with commitments to banking systems, without counting those with debts to INDAP [Agriculture and Livestock Development Institute], CORA [Agrarian Reform Corporation] or CORFO [Production Development Corporation] or those owing taxes. This information was made available by the president of the Southern Agricultural Consortium (CAS), Miguel Loaiza Velasquez, at the close of a meeting held in this city. [By Pineda Armstrong] [Excerpt] [Santiago TERCERA DE LA HORA in Spanish 31 Oct 85 p 11] 11,464

PANADEC POLITICAL PARTY CREATED--The formation of a new political movement known as the Nationalist Center Party (PANADEC) has been announced. The party's mission is to aid any kind of "legitimately constituted government that seeks Chile's expansion and prosperity," and its public leaders will be retired Navy Cmdr Igor Bravo Robles, as national president, and Jorge Ricci Martinez as secretary general. The new group, founded on 11 September 1985 by a group of young men and women, is "a disciplined, hierarchical organization that above all rejects any kind of nationalism that is not compatible with our culture and our present situation." The president of PANADEC stated that "we want to work for Chile, cooperating with the government and participating directly in all areas of national concern through professionals at all levels of the economy and production. We will get to the heart of the various problems and concerns so that we can inform the government of them and at the same time propose possible solutions." Politically, the new party defines itself as a "center current" that is devoid of any dogmatism. This will enable it to remain independent and provide constructive criticism without losing sight of the effort "to put an end to violence and partisan extremism, constantly protecting individuals' right to participate in national life with equal opportunities." Although PANADEC's top leaders claim they are "extremely aware that the task at hand is a difficult one," they do not hesitate to add: "We would venture to say that our sole objective is and will always be to attain political power in this nation through democratic means, adhering to the public electoral system and the provisions of the applicable organic law." When asked why the foundation of the party is being announced now, during the "political recess," they stated: "Because we believe this is the time to do it; our movement was formed to combat communism, and if mass media coverage is given to that political sect, which has been a cancer on our country and was the main cause of the events that led up to the 1973 coup, we see no reason why we cannot confront it, precisely because we are its antithesis. [Text] [Santiago TERCERA DE LA HORA in Spanish 23 Oct 85 p 8] 8926

COAL MINE SITES EVALUATED--Lota--The operations manager of the National Coal Enterprise, Peter Crorkan, has announced that a preliminary evaluation has revealed the presence of strata containing more than 50 million tons of coal. Experts from the enterprise will be conducting studies over the next 3 years to determine the best spot for a new mine. The operations manager said that the options are a zone south of the town of Lebu and an area south of the town of Arauco; the aim is to replace one of the current mines in Arauco Province.

Explaining that the drilling and further exploration will require heavy investment, which the industry has already foreseen, Crorkan reported that the Lebu option has coal reserves estimated at 30 million tons and the Arauco option estimated reserves of 20 million tons. "It will be a replacement mine, because the current deposits at the Caupolican mine do not have a life of more than 10 years. So we have to have a new mine ready to replace the old one as a source of jobs. Also, we have to consider the increase in demand next year and in coming years," Peter Crorkan stated. In this regard, he noted that the enterprise is planning to invest $18 million over 4 to 5 years, during which time the new mine will go on stream with an annual production capacity of 200,000 tons. He also emphasized that the two options under study each have a long life. He explained that the Lebu mine could last for 150 years with an estimated annual output of 200,000 tons, while Arauco could last for 100 years. This, Crorkan underscored, confirms "the existence of sizable coal reserves in Arauco Province, which presents us with an optimistic future, on top of the growing demand for this low-cost fuel." [Patricio Gomez Couchot] [Santiago EL MERCURIO in Spanish 3 Nov 85 p C-5] 8743

CSO: 3348/185

2 PARTIES CONFER ON DIFFERENCES OVER ELECTION OF MAYORS

Bogota EL TIEMPO in Spanish 1 Oct 85 p 3-A

[Article by Jesus Medina S.]

[Excerpt] Between today and tomorrow, the Liberals and Conservatives will hammer out agreements to resume debate on the popular election of mayors, which was postponed last week by Committee I of the House after Cesar Perez Garcia presented a report proposing changes in the bill.

The two parties clashed over changes in the legislation, and passage of the bill in the second round of debate will depend on the agreements reached between the parties' leaders.

The Galanists announced their support for the government initiative, but they objected to the modifications proposed by Perez Garcia in his report, claiming that they are new issues that have nothing to do with what Congress passed last year.

The secretary general of the National Conservative Directorate, Jaime Arias Ramirez, told EL TIEMPO that between today (Tuesday) and tomorrow (Wednesday), the delegates of the two parties will meet to define their points of agreement so that the bill can resume its progress through Congress.

Arias Ramirez explained that there are differences on four points, and claimed that his party advocates debating the bill on the basis of what was passed last year, which was the fruit of a consensus among the parties and political groups represented in Congress.

The differences have arisen, according to Arias Ramirez, on the following points: the date of the mayoral elections, the year when the constitutional norm will take effect, the reelection of these officials to a second term, and the referendum to reform the Political Charter on a single issue.

The Conservative senator expressed the view that the changes Perez Garcia proposed in the bill "destroy the harmony between the parties," and added that the Conservatives insist that the mayoral elections should take place at the same time as the congressional elections.

"The Conservatives prefer to have the effective date be 1986, and we have prepared the party for that. We want the mayoral election to take place as agreed upon last year," contended Arias Ramirez.

The analysis presented by the political leaders does not contemplate any change in the referendum. According to Arias Ramirez, the Conservatives would be willing, for the sake of national unity, to study a proposal to hold the election in 1988, but he noted that it has not received any information on this matter.

The members of the National Conservative Directorate, the associate directors, and the Liberal Political Commission will participate in the meeting.

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CSO: 3348/58

SUPREME COURT PRESIDENT SAYS GOVERNMENT NEGLECTS COURT NEEDS

Bogota EL ESPECTADOR in Spanish 17 Nov 85 p 7-A

[Interview with Supreme Court Chief Justice Fernando Uribe Restrepo by Maria Teresa Herran and Maria Jimena Duzan, in his office; date and time not given]

[Text] The trials and tribulations of searching for physical space (the periodicals library, which the decree stipulates should be the Court's headquarters, has only two large rooms that could be used; the Casa de Pombo was not a very functional solution) has taken up so much time that the new Court has not even had a chance to "make up an organizational chart to determine priorities." In his opinion, these priorities are "seeing what was burned up, organizing the files, and relocating the people who are left."

[Question] Which files were saved?

[Answer] Allow me to make a comment: If we haven't even been able to count the dead yet, how are we supposed to count the files! I understand, however, that all of the files in Section 3 of the Council of State were saved. As for the Court's files that were lost, each one poses a different problem; in some cases there may have been duplicate copies somewhere else, such as when the file was transferred to the litigant's attorney, so there is no general rule.

[Question] What priorities will the Court set up for rebuilding those files?

[Answer] Actually, each division of the Court will solve the problem in its own way. I would say that the most difficult situation is in the Criminal Division. There we have cases of people who have a right to be released from prison, and there is no file on them. Those are the most urgent and serious cases. In the Civil and Labor Divisions, there is not such pressing urgency.

Relations with Other Branches

Dr Uribe prudently notes that as chief justice of the Supreme Court, he cannot comment on the way the government handled the take-over of the Palace of Justice. Nor will he comment on something that came up in the conversation: the fact that the president of the republic did not make an appearance or even send a congratulatory message when Dr Uribe was sworn in as chief of the other branch of government. But in general, we asked, how are relations with the Executive Branch and the Legislature after the hair-raising events?

[Answer] These relations are based on the constitutional principle of harmonious cooperation. Now as before, especially in recent years, this principle has remained theoretical for the most part. It is true, as some have said, that the Judicial Branch of government is the dry branch; that is why it burned so easily.

Fernando Uribe explains that the Court's power is very unusual because it is juridical power, and thus defenseless. "We have no budget; it is very difficult for us to manage personnel, because the creation of a post depends on the Justice Ministry or the Congress. This branch cannot survive without the effective support of the other two branches of government."

[Question] Why has that support been withheld?

[Answer] It is normal to a certain extent, in the sense that the material problems that arise in Congress and that guide the government are more concrete; they have a more specific orientation. On the other hand, this is a country of lawyers, and we have some magnificent lawyers here, so despite the disincentives Colombia has some very good potential candidates for filling positions in the Judiciary. This enables the Judicial Branch to function all right, without the need for better working conditions for the judges, and so on. The government is aware of that, and for that reason /the requirements of justice take the back seat/ [passage enclosed in slantlines printed in boldface].

Abandonment

"I have been very disappointed at the public reaction to the tragedy in the justice sphere," confesses the chief justice in anguish. He still does not understand how this beauty contest attitude could be possible, just days after the holocaust at the Palace of Justice. He adds firmly:

"Just a short time ago the Supreme Court of Justice announced to the country that the four justices of the Constitutional Division had received death threats, and the National Security Council officially met to consider these threats, terming them serious and very grave. Then the Court, in an action that I even disagreed with at the time but turned out to be appropriate in retrospect, issued a public communique telling the nation: 'We are being threatened with death.' There was no reaction whatsoever, not in the newspapers or anywhere. Maybe there were one or two comments. That was a month ago. In other words, the communique was published on the front page of every newspaper in the country, but there was hardly any reaction."

[Question] Do you think the justices will continue to receive threats?

[Answer] I think that we are all threatened in Colombia, although certainly those of us who are in a "fishbowl," as they say, are more vulnerable. But I think that to lift the threat from all of us, including judges, the country must change its attitude. If this does not happen, the armored cars and the bodyguards will not be enough.

M-19

"In this country all Colombians run a risk," he stresses. "Look at what happened with the volcano. Its eruption has been predicted for more than 6 months, yet it killed over 20,000 people."

But returning to his tragedy, although he still has many thoughts running through his mind, in light of the events that took place at the Palace of Justice, he has his own analysis of M-19:

"Personally, not speaking as chief justice of the Supreme Court, I would say that M-19 underestimated the Court. It thought that the Judiciary was very important, and it thought it could repeat there what it carried off at the Dominican Embassy. I have testimony from survivors that indicates that the first contact between the guerrillas and the justices reveals the former's great respect for the latter. Some judges would be talking to their families on the phone, and a guerrilla would take the phone and say to the relative: 'Don't worry, nothing will happen to His Honor.' I think that M-19 was indulging in a certain romanticism in carrying out this action. But it made no sense to go to the Palace of Justice to present a case with machine guns. Justice cannot be demanded with machine guns!"

Dr Uribe feels it is the most natural thing in the world for a political debate ("I am not referring to a debate on the president," he clarifies) to be going on regarding the events that occurred. He states he could not imagine a democratic system where "something like this happens and there is no parliamentary debate." And although he does not discount the possibility that many of the voices heard in this debate are somewhat opportunistic, he feels that the debate began on objective bases. He also thinks the institutions have reacted normally: "Congress with its debate, and the Court with its proposal for a special tribunal."

We also ask the chief justice his opinion of other reactions. For example, that of the attorney general. His response suggests that it was late in coming: "When I arrived in the country," says Dr Uribe, "the first thing I asked was what the president and the attorney general had said, and I was told they said nothing. Then I waited 4 days, and the attorney general had still not said anything."

But why the delay? The chief justice answers succinctly: "It was not easy to say anything at that time."

And although he points out that he really was not informed of what Dr Luis Carlos Galan did to deal with the situation (he was the only member of Parliament who called for a ceasefire) because the justice was out of the country on business, he states that in any event, "the idea of a ceasefire at that moment seemed very logical and rational to me, almost a matter of common sense."

[Question] How do you, the Supreme Court justices, view the actions of Justice Minister Enrique Parejo at this time?

[Answer] The first thing I did as chief justice of the Court--and I am glad that you asked me that question--was to congratulate the justice minister for his dedication and his interest. Effectiveness is another matter. But Minister Parejo has shown us evident good will and devotion. I am referring specifically to the help he has given us in the problem of our headquarters, and in the investigation. I even had a chance to tell the minister that during these days of tragedy he has become for us not just the justice minister, but the minister who carries out justice.

[Question] Do you think, as Supreme Court chief justice, that there are close ties between M-19 and the drug traffickers?

[Answer] I don't know about M-19 and the drug traffickers, but there are very strong indications that the latter were indeed involved in the events at the Court. The attack was carried out on a Wednesday at 1115 hours, when it was known that the Constitutional Division was going to meet to study the first paper on the Extradition Treaty. If those who invaded the Palace of Justice had wanted to do away with all the judges, they would have perpetrated their crime the following day (every Thursday at the same time the full Supreme Court is in session).

Dr Uribe also points out an M-19 communique that was issued several days before the assault. This document emphasized its criticism of the treaty, "which is incomprehensible because M-19 is a guerrilla group that is not threatened with extradition." He adds that "when the assailants reached the Palace, they asked for Dr Medina Moyano, who was to deliver the first paper, and for the other members of the Constitutional Division."

Extradition Treaty

Despite everything, the Court has still not ruled on the Extradition Treaty. Dr Uribe Restrepo regards the case as a good example "of the relationship between the branches of government and the Court's situation with regard to public opinion."

[Question] Why?

[Answer] The president of the republic negotiated it, and carried out the exchange of ratifications; the Congress approved the treaty by law, and the only function of the Supreme Court of Justice is to act as a judge and enforce a law approving a pact negotiated by the Executive Branch. But those who are held accountable for the fact that extraditions take place are not the Executive or the Congress, but rather the justices, who simply enforce a law that was conceived and formulated exclusively by the other two branches.

[Question] Don't you feel bitter about that?

[Answer] Of course. And I come up with this scenario: The Extradition Treaty is perhaps the only serious threat against the drug traffickers. So in their thinking, I amagine they are willing to do whatever they can to elude that threat. And the only feasible thing they could think of was to attack the Constitutional Division of the Court. They had nothing to lose, because they can murder with impunity. And they had a lot to gain, because they thought they were eliminating this threat. But it is extremely absurd and unfair for them to attack the most innocent branch of government that had the least to do with extradition.

Resurrection

[Question] When will the Court really begin functioning again, and when will the Judiciary return to normalcy?

[Answer] Well, there are some normative criteria. There is a suspension of terms for the Council of State, and another suspension for the Supreme Court, the latter being slightly longer. Theoretically, the Supreme Court will resume activities early next year. There is one very touchy area, however, that of constitutional matters, which must wait until the Constitutional Division is manned again. Not a single survivor remains. When that division is reconstituted, the matters related to constitutional control, including the state of siege decrees that have allowed for this restructuring of the Court, can be processed.

On this issue, which has caused some confusion, Dr Uribe states that the current justices, "who are serving as the seeds for the rebirth of the new Court," and the justices that are appointed by them, are prevented from ruling on the constitutionality of the decrees. Thus, a Supreme Court of Justice appointed by associate justices (selected frodm the list in the Court's possession) must rule on the constitutionality of these decrees. This should take about 3 months, according to the chief justice. However (and he warns that he is expressing an opinion because he has already been prevented from ruling on this matter of constitutional control and will not participate in the case), he believes that the decrees "are completely constitutional, from whatever perspective," and therefore cannot be overturned.

Thus, little by little, the Supreme Court of Justice is healing its wounds. And it must do so, because institutions are perennial. But it is undergoing this process with the chronic weakness of the Judiciary, which is manifested in the mundane fact that the justices even have to share a car, while any low-ranking official of any ministry or decentralized institute gallivants around in his own official car.

8926
CSO: 3348/232

ITINERARY FOR 1986 PAPAL VISIT ANNOUNCED

Bogota EL TIEMPO in Spanish 29 Oct 85 p 8-A

[Excerpt] Papal Nuncio Angelo Acerbi said yesterday that Pope John Paul II's visit to Colombia will provide a spiritual revival and awaken new energy and strength in the Colombian people.

According to the prelate, the papal delegation will be made up of Cardinal Agostino Casaroli, second-ranking authority in the Vatican after the Pontiff and secretary of state; Monsignor Eduardo Martinez, undersecretary of state and the third-ranking official in the papal government; and Father John Mugge, in charge of liturgical celebrations.

Also traveling with the Pope will be Monsignor Jack Martin, responsible for arranging his audiences, and Father Roberto Tucci, president of Vatican Radio. The Supreme Pontiff will stay at the nuncio's residence.

The Vatican's representative in Colombia said that the first step to be taken by the Colombians wishing to prepare for the papal visit is "to want to be good Christians."

"Throughout the world, progress in the metropolises has gladdened persons in religious life and family and economic difficulties in general hinder evangelical action," the nuncio said.

However, he added, there has been a revival of will in the priesthood and religious life in Colombia. A large number of young people with the vocation are coming forward and this is a good sign for the health of the Church. "This fact will make the Pope extremely happy, since there has been a decline in vocations in other countries," he said.

In recent years, seminaries have had to be opened that were closed and there has even been new construction in order to take in all those aspiring to religious life. "Three years ago, we had to open the Zipaquira seminary, where over 50 young men are studying. In one seminary in Bogota alone, there are 140 students, in Medellin the larger such establishments are full and in Cali, there is no more room. It is a phenomenon spreading throughout Colombia and witnessed in other countries such as Mexico and Argentina as well," Monsignor Acerbi said.

It should also be pointed out that most of the priests in this country are Colombians, unlike in many other nations, where it is necessary to "import" priests. Colombia is even sending priests to other continents.

The official also mentioned the proliferation of religious sects in Colombia. He said that they appear where there is a vacuum and that the people accept them because they know nothing about their own faith. It is the people least educated and lacking in assistance. Otherwise, they could not be persuaded.

Tentative Schedule

Monsignor Hugo Puccini, auxiliary bishop, confirmed that the tentative schedule for the Pontiff's visit to Colombia is as follows:

1 July: arrival in Bogota in the afternoon, where he will be greeted by President Betancur, bishops, priests and senior seminarians.

2 July: Chiquinquira, where he will also meet with bishops and priests.

3 July: Cali, where he will visit Valley areas affected by violence.

4 July: Medellin, where he will preside over the ceremony of beatification of Mother Laura and Sister Isabel Tejada Cuartas, whose canonization is underway.

Saturday, 5 July: Cartagena, where he will receive petitions from the Movement of Black Peoples. He will spend the night at the Casa de Huespedes Ilustres in the city.

6 July: In the morning, he will celebrate mass before leaving for Barranquilla. From here, he will send his message of peace to the entire country, before visiting the church of Chiquinquira. Finally, he will speak to Catholic young people and businessmen, workers and professionals in the Metropolitan stadium. He will return to Rome in the afternoon.

11,464
CSO: 3348/170

FINANCIAL SYSTEM REFORM BASED ON 10 BASIC CHANGES

Bogota EL COMERCIO in Spanish 26 Sep 85 pp 1-A, 8-A

[Article by Carlos Pineros]

[Text] The government has announced a new priority in the economic policy that President Belisario Betancur will follow in the last year of his administration: reform of the financial system.

"This problem has to be solved," said Minister of Finance Roberto Junguito Bonnet, while his successor, Hugo Palacios Mejia, simultaneously set forth ten basic changes in the financial system, in line with the announced government priority.

The financial system has debts totaling $220 billion that it may not be able to recover, its institutions are short of funds, there is a heavy concentration of shares held and the existing framework makes it impossible to give the country a basis for carrying out major national development projects for the immediate future.

Junguito Bonnet, in what was practically his last meeting with newsmen as minister of finance, said that the country will easily meet the economic goals set for September regarding international reserves, tax resources and monetary totals.

The official, who next month will take up his post as Colombian ambassador to France and who will turn his ministry over to Palacios Mejia at 1000 hours on Friday, observed that Francisco Ortega is an expert on financial affairs and that his appointment as manager of the Bank of the Republic -- the Central Bank -- responds to the prime need of moving forward with reform of the system of financial intermediaries.

Palacios Mejia's Proposals

The new minister of finance, Hugo Palacios Mejia, made a careful analysis of the trend in the national financial system and in particular, examined the developments of recent months, during which, as a result of the recession, the lack of controls over new practices and the undisciplined conduct of some private entities, the 1982 crisis developed. That crisis forced the Colombian Group to intervene and nationalize the National Bank, exposing the weakness of the system.

Palacios Mejia enumerated the steps which the government, through the Monetary Board, has taken in order to save businesses and banks, with the warning that, in the case of the financial entities, the possibility of other surprises had not been totally avoided. However, he noted that the government is in a position to handle and overcome any problem of this nature.

He also suggested that some entities will have to renegotiate their private foreign debt, along with the Bank of Colombia, which concluded 18 months of such negotiations last week.

In the editorial notes of the Journal of the Bank of the Republic for the month of July, Palacios Mejia included the analysis of the financial system and proposals to modify certain standards, listed below:

1) suspension of the requirement of making compulsory investments out of loans that are not productive;

2) complete tax acceptance of provisions that are needed. Here it is a question of not taxing certain resources that the banks keep, penalizing profits, in order to protect their portfolio.

3) design of a system of payment in the Treasury Directorate that will help the nation's creditors meet their obligations to financial institutions. This results from the fact that the government is a major debtor in the banks' portfolios and is behind in its amortization payments.

4) the granting of extensions in the development credit of the Bank of the Republic;

5) congressional approval of laws to strengthen the Banking Superintendency;

6) permitting the investment of foreign capital in the sector;

7) reform of the system of agreements with creditors;

8) easing the nominal reduction in the value of shares in companies that have sustained losses;

9) creation of the National Guarantee Fund; and

10) further development of the system of "professional subscription" or "underwriting."

This system consists in having a business issue bonds or shares in order to increase its capital and turn the securities over to a middleman so that they may be sold to potential and actual shareholders. For this purpose, the government has credits to be granted to buyers at low interest rates so as to stimulate the capitalization of banks and businesses.

The retiring manager of the Bank of the Republic publicly expressed his optimism over the results expected of the refinancing of productive means by domestic banks and the capitalization of debtors and creditors with full government support -- measures already in force -- with the addition of the ten points described.

He called attention to the fact that "no one can guarantee that the evolution of the financial system, so deeply traumatized, will not mete out additional surprises."

He then warned that "fortunately, we have legal and administrative instruments in order to confront them successfully for the time being, while the permanent and fundamental measures we have designed take effect."

Palacios Mejia made one additional observation: "In the face of unforeseeable events, the most important thing is to be determined to coordinate the monetary measures that are required with tax and foreign exchange action demanded by continuation of the successful plan of macroeconomic adjustment designed for the country."

The position of the new minister of finance reaffirms the announcement by President Betancur that the change at the top of the ministry will not imply any change in direction.

The conservative economist from Quindio noted the danger if full advantage is not taken of the system of supporting banks and businesses in trouble: "If negotiations are delayed or if creditors and debtors join forces to avoid admitting losses and disguise them through more loans, then the problems will become even more critical."

"The authorities are confident that the good sense of all those involved will mean that in this field as well, Colombia will make the adjustments indispensable for its normal development."

Palacios Mejia gave equal importance to the financial reform and proposals relating to support for the real sector of the economy and to the conclusion of foreign negotiations in order to obtain $1 billion in credit aimed at carrying out basic projects for coal, oil, the capitalization of banks and others.

Developing his strategy, he noted the suitability of "coordinating existing resolutions -- of the Monetary Board -- in order to facilitate financial democratization" and indicated that more work must be done to promote a "solid, reliable and democratic financial system."

"All Colombians need to have the financial sector strengthened. Otherwise, businessmen will not have adequate capital or credit to generate employment, goods and services. Savers will see their holdings threatened and the country could once again experience difficulty in obtaining lines of credit from international financial entities. Just as all Colombians benefit from the rescue of the financial system, all must help bear the necessary cost," Palacios Mejia emphasized.

According to his estimates, the rate of devaluation will be lower in 1986 than in 1985 and just as the debt of the sector dealing in foreign exchange rose with the devaluationary trend, it will now be alleviated and perhaps there will be a drop in interest rates, the head of the issuing institute -- until 1000 hours today and minister of finance thereafter -- predicted.

11,464
CSO: 3348/169

FIRST HALF 1985 PRODUCTION UP; SALES, WAGES DOWN

Bogota EL TIEMPO in Spanish 29 Oct 85 pp 1-A, 12-A

[Article by Carlos Pineros]

[Text] Industrial production registered growth of 3.36 percent during the first 6 months of the year, while employment in the sector during the same period dropped .86 percent, real wages 2.71 percent and commercial sales 7.04 percent. By August, construction had declined by 5.34 percent, DANE [National Administive Department of Statistics] has reported.

In value, exports rose during the first 6 months of the year by .7 percent, but the tonnage rose 39.2 percent, which presumes a drop in prices.

This phenomenon can be seen in the category of fuel and minerals, whose exports rose 15.2 percent in value, but 73.2 percent in tons. Exports of sugar and sugar by-products dropped 13 percent in value, but the tonnage rose 129.4 percent. Cotton exported rose 3.2 percent in value, but in tonnage 55.1 percent. In other areas, the same trend was seen, but with less spectacular figures.

According to DANE, during the first 8 months of the year, the authorized construction area in 11 main cities dropped 5.34 percent compared with the same period last year.

The greatest drop was seen in Barranquilla and its metropolitan area: 61.15 percent, followed by Bucaramanga, 48.76 percent, Neiva, 37.5 percent, Manizales, 32.46 p-rcent and Cali, 25.34 percent.

The authorized construction area rose 117.31 percent in Pasto, 36.53 percent in Cartagena, 24.51 percent in Medellin and 16.01 percent in Cucuta.

Construction costs rose 15.69 percent between December of last year and August of this year in the housing sector.

Wages in the manufacturing industry during the first half of the year rose 19.96 percent in nominal terms (numbers), but in real terms (deducting inflation), they dropped 2.71 percent, resulting in a drop of 1.46 percent for white-collar workers and 4.08 percent for blue-collar workers. In the sector of oil by-products and coal, the drop for blue-collar workers was the greatest: 17.89 percent, according to DANE. This paradoxically comes at a time when both coal and oil constitute the greatest hope for new revenue to alleviate the national economic crisis in the years ahead.

Manufacturing jobs dropped .86 percent and, without coffee harvesting, 1 percent. In the latter case, work for white-collar personnel rose .13 percent, but that of blue-collar workers dropped 1.51 percent. In the shoe industry, employment dropped 13.25 percent for white-collar employees and 16.66 percent for the blue-collar force.

Retail sales dropped 7.04 percent between January and July of this year in real terms. At nominal prices, they rose 16.18 percent.

The drop was 33.6 percent for vehicles and spare parts, 6.36 percent for clothing and shoes, 4.73 percent for food and beverages, 2.41 percent for furniture and electrical appliances, 2.35 percent for construction materials and 1.41 percent for goods in general. In pharmaceuticals, sales rose 8.4 percent.

In the same sector of trade, wages and real services paid dropped 4.14 percent during the first 6 months, but in nominal terms, they rose 18.04 percent.

Figures on employment from DANE and contained in this report show the same negative trend observed by the National Associations of Industrialists, ANDI, and economic research centers.

11,464
CSO: 3348/170

FINANCE MINISTER BLAMES ECONOMIC PROBLEMS ON BUSINESS SECTOR

Bogota EL ESPECTADOR in Spanish 26 Sep 85 pp 1-A, 14-A

[Text] The new finance minister, Hugo Palacios Mejia, claimed yesterday that the financial system is still in a traumatic situation, and despite the many measures taken to alleviate it, surprises are still in store. Summing up the decisions made by this administration to resolve the so-called "plunge" of the financial system in 1982, Palacios Mejia contended that "although we are very optimistic about the success of the aforementioned system, no one can guarantee that surprises will not continue to arise, given the traumatic state of affairs."

The high official also maintained that if Colombians want to benefit from the recovery of this sector, they should all help underwrite the costs, and will have to pay the consequences of any money printing that takes place.

Citing studies conducted by the Superintendancy of Banks, the Bank of the Republic, the Monetary Board, the World Bank and the Bank of Spain, he indicated that the problems plaguing this sector stem in large measure from the weakness of the business sector. Some businesses can no longer pay the principal or the interest of the debts they contracted with the financial sector.

"Consequently," he added, "the financial institutions have had to face the possibility of losing much of their assets."

In the latest editorial notes he wrote for the magazine put out by the Bank of the Republic, the former manager of that institution stated that although the problem loans are more widespread than was initially suspected, they are nonetheless quite concentrated, and there is a certain degree of "specialization" in the relations between debtors and creditors.

"Because of this, it seems clear that it is not easy to devise a single overall strategy capable of solving all or most of the problems or of saving all the debtor companies or creditor financial institutions," he asserted.

He admitted that some changes have taken place in the general economic situation so that a considerable portion of the problems can be solved. He cited the example of the slow-down in the rate of devaluation that will take place next year, and the measures taken on 7 August by the Monetary Board to encourage agreements between creditors and debtors.

All Will Pay

According to Palacios Mejia, officials think that the country as a whole will benefit from these decisions, because it will have a more sound, reliable and democratic financial system. Moreover, the workers and owners of many indebted businesses will benefit.

"At the same time, however, the whole country will pay the costs of any money printing. By selling new shares or by putting them up as payment, the business owners will lose some of the control they have over these shares, and they will have to make good on these losses in one way or another," he explained.

"Finally," he added, "expanding the capital of the financial institutions and making them more democratic will erode the control of their current owners."

More Measures

The Conservative economist and attorney stated that in addition to the recent measures adopted by the Monetary Board to deal with businesses' debts to banks, some complementary actions will be needed.

Among them, he noted, the most urgent seems to be to finish defining the composition of the great fund from which the resources will come.

He predicted that the upcoming decisions will also include the elimination of the mandatory investments that the institutions have to make in non-productive loans, the granting of extensions on development credits from the Bank of the Republic, and the passage of legislation by Congress to reinforce the Superintendancy of Banks, reform the system for arranging creditor-debtor agreements, and create the National Guarantee Fund.

"It is possible, finally, that some financial institutions will have to reschedule their foreign debt," he indicated.

The new head of public finance warned, however, that the plan for supporting the business and financial sectors entails arduous negotiations between debtors and creditors, and an explicit recognition of the losses that both have incurred.

8926
CSO: 3348/58

ECOPETROL FACING DIFFICULT FINANCIAL SITUATION

Bogota EL SIGLO in Spanish 7 Oct 85 pp 9-10

[Article by Arturo Menendez Vall-Serra]

[Text] The sharp devaluation of the Colombian peso; the decision to maintain the freeze on fuel prices, with the consequent increase in government subsidies for consumers of petroleum products; and the 8 percent tax on the CIF value of hydrocarbons imports, are among the factors that have put the Colombian Petroleum Enterprise (ECOPETROL) in a difficult financial position. It began with severe liquidity problems, and is now threatening the development of major projects and the state enterprise's investment capacity.

The sacrifice that Colombians have made in recent years to help ECOPETROL keep down fuel subsidies and to keep its prices close to cost and not far from international market levels (much of the nation's supply is still bought on the international market) is about to be wasted. Prices are now returning to the levels seen at the end of the last decade.

Growing Problem

The adjustment of fuel prices, which the International Monetary Fund (IMF) says in a report on the Colombian economic situation should be set at a minimum of US $0.75 per gallon, seems far off. And the longer it is postponed, the larger the increase will have to be to offset the accelerated devaluation of the national currency.

The report, which was drafted after the news of Occidental's oil discoveries in the Arauca region had been released, recommends that the measures taken include the stabilization of the domestic price of gasoline at US $0.75 per gallon.

To set the price that high next November, 12 months after the last increase (11/2/84), would mean raising the price by approximately 37 percent; hiking it to US $0.75 in December would mean an increase of 39 percent.

Trying to attain the level of November 1984, equivalent to US $0.81, would mean raising the price in December by about 50 percent, in other words, leaving the price at 133.65 pesos per gallon.

Attempting to bring the dollar price to the 1983 level, US $0.88, would lead to a hike of 63 percent over the current price (see Figure 2).

The political decision to keep the price the same, in consideration of the effects that an increase would have on prices and social stability in the country, seems already to have been made, at least through the end of this administration.

Its effects on ECOPETROL's finances are obvious: greater subsidies, restriction of projects and programs, and of course, difficulties in obtaining foreign credit for investment in projects such as Cravo-Norte.

Resources to Invest

The partnership projects that the Colombian Government signs with multinational oil corporations through ECOPETROL do not involve any disbursement by the state enterprise until the oilfield has been declared commercially viable.

At that point, ECOPETROL will have to pay half the costs of developing a field, and problems may arise for the Colombian Government with respect to the IMF's memorandum of reference.

There is no question that the discoveries and the official declaration of commercial viability are good for the country's economy. What is clear, however, is that a policy that has an adverse impact on ECOPETROL's finances will hamper its ability to meet the commitments it makes after the declaration.

ECOPETROL needs foreign credit to meet its share of investment in projects such as Cravo-Norte, its own development in Apiay, and other projects it is undertaking to modernize plants, build pipelines, explore and develop reserves.

The price of gasoline has proven to be the Achilles' heel in compliance with the IMF's "recommendations," which the current administration appears to want to follow in excess.

Difficulties to Come

But refusing to raise the price in the final year of this administration, which has been called the "social" year, would just mean putting off a decision whose postponement would have an even more adverse effect on ECOPETROL's structure. It has already been hit hard by the sharp devaluation and the increased subsidies and taxes. Delaying the decision would also have a negative impact on the country, which the experts say should at all costs avoid the "oilification" or "coalification" of the economy, in view of the results this approach has had in neighboring countries that are major hydrocarbon producers.

In addition, putting off the price hikes could be catastrophic for a firm like ECOPETROL, which receives 70 percent of its income in national currency and must make a similar proportion of its outlays in foreign exchange.

With the IMF

The IMF made its evaluation of the Colombian economy in early 1985, when the vast reserves of hydrocarbons in Arauca had already been fully proven. This assessment stresses the need to maintain a dollar-referenced price (US $0.75 per gallon) domestically, mostly as a function of the tax effect it has, given the current fuel price structure (see Table 1).

Regarding the price of gasoline, the IMF report states: "The staff feels it is important for the domestic prices of gasoline and other petroleum derivatives to be adjusted to international prices, before the country becomes an exporter of any magnitude. The officials agreed with the staff, and acknowledged that this policy will be very important from the standpoint of allocating resources. They indicated, however, that it would be very difficult for them to reach the level of international prices, in dollar terms, before the current administration finishes its constitutional term in 1986.

"Today (March 1985), the domestic price of gasoline is close to US $0.70 per gallon, and given the accelerated rate of the peso devaluation, a substantial adjustment in the domestic price of gasoline will be needed to prevent it from falling in dollar terms. The officials stated their intention of adjusting the domestic price of gasoline by at least 10 percent before June.

"This increase has been taken into account in budget projections, and a mechanism is supposed to be devised to introduce adjustments in the coming months in order to ensure that the domestic price of gasoline will be at least US $0.75 per gallon by the end of this administration's term. Current Finance Minister Roberto Junguito said that he will work with Mining Minister Alvaro Leyva Duran on the proposed adjustments in the domestic price of gasoline, and he intends to submit the mechanism to the staff for its consideration once it is ready." (See Figure 3.)

Little progress has been made on these "recommendations" by the IMF and the tacit acceptance of them by the officials.

Neither the 10 percent adjustment nor the plan for monthly increments has taken place.

According to the IMF document, the government also tacitly recognizes its willingness to postpone the fuel price hike to the next administration, although later on, and in the same passage of the multilateral organization's document, it is asserted that the price will be at US $0.75 per gallon by the end of this administration.

It should be noted that the IMF's intention in proposing a raise in the price of fuels is not to solve any temporary problems that ECOPETROL may face, but to bolster the government's revenues through the gasoline price structure, given the large share of taxes in the total cost that consumers pay for fuels (see Table 1).

Without the IMF

The magazine published by former Minister Rodrigo Botero, ESTRATEGIA ECONOMICA, in a recent issue presented an analysis that warned of the problems of delaying domestic fuel price hikes. It pointed out the need to return to the policy of making real but gradual adjustments, which was adopted under the Lopez Michelsen administration.

"Moving in that direction has been deemed an indispensible prerequisite for stimulating the production of hydrocarbons, promoting a more rational use of scarce energy resources, containing the burgeoning demand for fuels (it is estimated that gasoline consumption will have expanded by about 6 percent in 1985), minimizing the distortions in technological choices, reducing the pressure this sector exerts on fiscal resources, preventing a regressive allocation of government spending, and most importantly, strengthening ECOPETROL's financial capacity to meet its obligation in the self-sufficiency strategy," says the publication (see Table 2).

In areas where it is difficult to attribute success or failure to a single administration, since several administrations participate in planning, development and execution, continuity is imperative. Adjustments must be made to adapt to temporary situations, but we must not lose sight of the central objective, which in the case of petroleum is self-sufficiency (see Table 2).

Given the inspiration of the "social year," a policy that required sacrifices on the part of all Colombians cannot be abandoned at the drop of a hat. Moreover, if current trends continue, in 2 or 3 years, under circumstances such as self-sufficiency, this policy will demand abrupt changes in prices or the allocation of hugh amounts to underwrite, through taxes, the ever-greater subsidy on fuel consumption.

Bonanza of Illusions

Discovering oil was supposed to provide an opportunity to build an economy more in keeping with reality, not to become a pretext for creating a bonanza of illusions that will be crushed in the end when we have to pay off foreign loans obtained to subsidize "cheap" fuel consumption, among other things, as long as the boom lasts. Another result will be ECOPETROL's inability to finance new exploration programs to guarantee self-sufficiency in hydrocarbons after Cravo-Norte has been depleted.

8 Percent Tax

The differential between the cost of imported crude and gasoline and the real sales price to consumers is not the only factor affecting ECOPETROL's finances. Other factors are the servicing of the foreign debt and domestic purchases of petroleum at the international market price, 75 percent of which is paid in dollars, at the official exchange rate, after the disappearance of the so-called "petrodollar."

In addition, ECOPETROL was unable to obtain an exemption from the 8 percent tax on the CIF value of imports that was established last year for all kinds of foreign purchases.

As long as crude oil and its derivatives and petroleum equipment and machinery must be imported, this tax will weigh on ECOPETROL's financial structure.

The easy expedient of passing the tax on to consumers in the short or medium term, as happens in any activity that requires imported inputs and is not subject to price controls, is impossible for ECOPETROL.

During the first 6 months of this year, because of this new tax the Colombian oil enterprise has had to pay approximately 2.538 billion pesos, which has had to come out of the same price of 89.10 pesos per gallon of gasoline. Its imports totaled US $271.7 million. ECOPETROL has not only had to put up with the ever-higher exchange rate and the differential between the price of imported or national goods and the sales price to the public, but it also has to pay an 8 percent tax on its imports.

Imports are estimated at US $471.6 million for 1985, which will entail a tax bill of approximately 5.257 billion pesos.

International Situation Lowers Expectations

Just as the situation with regard to the domestic prices and subsidies within ECOPETROL's purview is not very promising, the outlook for hydrocarbon exports, thanks to the huge reserves at Cravo-Norte, is not very rosy eitiher.

Projections by international organizations such as the World Bank and the International Monetary Fund indicate a depression of hydrocarbons prices as a result of a glut on the world market. This glut has a variety of causes: the oil discoveries by non-OPEC nations, the replacement of petroleum by alternative sources of energy, technological advances that accelerated considerably in the past decade to make more efficient use of an increasingly costly resource, and the internal crisis in the Organization of Petroleum Exporting Countries (OPEC) which led nations with large debts or tremendous foreign exchange requirements to sell more oil and thus sacrifice the price.

On this last point, the Petroleum Industry Information Center states in its latest bulletin that if no satisfactory solution is found for the internal crisis in OPEC, whose share of world production has declined considerably, then oil prices will continue their downslide, and could fall as low as US $20 for a barrel of Arabian light crude, one of the highest quality oils in the world.

Now, Colombia's outlook for self-sufficiency appears promising for the next 10 years. Such is not the case, however, with exports of oil or its derivatives; they may run out in just a year or 18 months.

The cut in hydrocarbons prices over the last 4 years, particularly the last 2 years, has changed the prospect for earning foreign exchange on oil exports in the future. The recent decreases in the international price of fuel oil, of which ECOPETROL exports a major portion of its production, have demonstrated how vulnerable the income projections are and how dangerous it would be to base the economy on some unpredictable revenues from petroleum sales.

All signs indicate that the snowballing oil production in Colombia coincides with the shrinkage of prices on the international market, which means not only lower revenues than initially projected, but also a possible decline in the search for new deposits to guarantee self-sufficiency beyond 1995 and exportable surpluses that would fetch the higher prices that are predicted for the end of this century.

As we indicated at the beginning of this report, as more oil is discovered, ECOPETROL will have to make a proportionally greater financial contribution; it will have to share 50 percent of the costs of obtaining the crude oil, and will also have to buy part or all of the partner's production at international market prices.

The plunge in prices will have a dual effect: export revenues will be lower than expected, and multinationals will lose interest if prices plummet too rapidly. ECOPETROL will have to make up for their absence with its own resources, which it can obtain only from domestic sales.

One reason why the oil economies are in such dire straits, even though they have such tremendous earnings from oil sales, is undoubtedly the excessive consumption subsidies that were granted. These subsidies prevented the generation of internal resources, and funding was obtained instead by contracting loans backed by the insecure oil revenues.

The slow growth of the industrialized economies and the even more sluggish activity in developing countries are another factor that have driven down oil prices, although the pick-up in the Western economies is expected to give them a boost.

The reduction in fuel consumption and thus in world production has also been prompted by the fall-off in economic activity; the long-awaited recovery is not yet in sight, and the recovery indicators of the principal world economies are still weak in this regard.

Table 1

(1) DISTRIBUCION DE PRECIO DE LA GASOLINA CORRIENTE

	1984		1985		1986 (1)	
	$	%	$	%	$	%
Ecopetrol	47.60	61.42	54.72	61.41	75.97	61.41
Impuesto vial (2)	19.18	24.80	22.06	24.75	30.63	24.75
Impuesto ventas (3)	5.29	6.82	6.08	6.82	8.44	6.82
Impuesto departamental (4)	0.12	0.15	0.13	0.14	0.17	0.14
Margen bruto mayorista (5)	2.08	2.68	2.31	2.59	3.20	2.59
Margen bruto minorista (6)	3.23	4.16	3.80	4.26	5.27	4.26
Precio galón (7)	$ 77.50		$89.10		$ 123.75	

DISTRIBUCION PRECIO DE LA GASOLINA ENTRE ECOPETROL Y OTROS (8)

	1984	1985	1986 (1)
Ecopetrol	$ 47.60	$ 54.72	$ 75.97
Otros (9)	$ 29.90	$ 34.38	$ 47.78
Total	$77.50	$89.10	$123.75

(10) **(1) Precio sobre la base de US$ 0.75 galón y una tasa de cambio a diciembre del 85 de $ 165.00. Cálculos EL SIGLO, fuente datos Ecopetrol**

Key:

1. Distribution of Current Price of Gasoline
2. Highway tax
3. Sales tax
4. Department tax
5. Gross wholesale margin
6. Gross retail margin
7. Price per gallon
8. Distribution of Gasoline Price between ECOPETROL and Others
9. Others
10. Price on the basis of US $0.75 per gallon and an exchange rate of 165 pesos to the dollar as of December 1985. Calculated by EL SIGLO from data supplied by ECOPETROL.

Tax price: One of the greatest problems ECOPETROL faces is that it must charge a price for fuel that is sometimes close to the international price, and it receives back only part of that price. The state enterprise receives only 61.41 percent of the current price of 89.10 pesos, or 54.72 pesos. The remaining 31.71 percent corresponds to taxes and to wholesalers' and retailers' profit margins. The table shows what ECOPETROL's share in the price of a gallon of gasoline has been in the last 2 years, and what it would get if the price were raised to the equivalent of US $0.75 per gallon at the end of the year, assuming an exchange rate of 165 pesos to the dollar.

Table 2
INCREASE IN PRODUCTION ACCORDING TO GROWTH IN DEMAND FOR GASOLINE
(in thousands of barrels)

(1) Año	(2) Crecimiento 3.5% (1) Barriles día	(3) Crecimiento 6% (2) Barriles día	(4) Barriles de gasolina de más (1/2)	
			(5) Día	(6) Año
1985	87.000	87.000		
1986	90.045	92.200	2.155	0.786
1987	93.200	97.700	4.500	1.642
1988	96.500	103.600	7.100	2.591
1989	99.800	110.000	10.200	3.723
1990	103.300	116.000	12.700	4.635
1991	107.000	123.000	16.000	5.840
1992	111.000	130.000	19.000	6.935

Key:

1. Year
2. 3.5 Percent Growth - Barrels per Day (1)
3. 6 Percent Growth - Barrels per Day (2)
4. Excess Barrels of Gasoline (1/2)
5. Day
6. Year

Soaring demand: It is estimated that the demand for gasoline will grow by about 6 percent in 1985, given its current price, which is similar to that of 1979. With this growth rate, significantly more crude will be needed for refining than would be required with the previous growth rate of just 3.5 percent. In addition to helping to solve ECOPETROL's financial problems, a price hike would keep demand from growing so fast.

Table 3
FUEL CONSUMPTION SUBSIDIES
(millions of pesos)

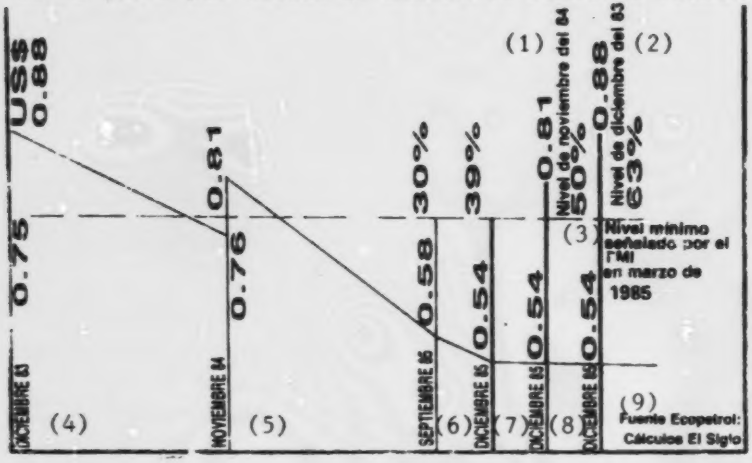
	1980	1981	1982	1983	1984	1985
(1)Crudo y gasolina	14.313	14.881	15.747	10.771	10.685	29.000
(2)Electrificadoras	2.345	2.805	2.427	4.663	6.040	6.400
(3)Cocinol	726	774	1.213	1.629	2.065	2.200
(4)Combustible naves	364	360	359	437	413	430
(5)Gas de la Guajira	595	2.494	716	310	2.286	5.200
(6)Gas propano	900	977	1.050	1.230	1.526	5.770
(7)Total subsidios Pesos corrientes	19.269	22.358	21.570	19.145	23.158	19.000
(8)Indice subsidios 1980 base: 100	100.00	115.49	111.94	99.35	120.18	254.29
(9)Indice de precios 1980 Base 100	100.00	126.32	156.72	182.79	216.21	258.93
(10)Total subsidio en pesos de 1980	19.269	17.699	13.763	10.473	10.712	18.924

Key:

1. Crude oil and gasoline
2. Electrification
3. Fuel oil
4. Ship fuel
5. Gas from La Guajira
6. Propane gas
7. Total subsidies in current pesos
8. Subsidy index, base year 1980 = 100
9. Price index, base year 1980 = 100
10. Total subsidy in 1980 pesos

Deterioration: Another of the major results that is being thrown out as the policy of periodically adjusting fuel prices is abandoned is the reduction of subsidies for fuel consumption. In constant 1980 prices, in 1985 we are back to the level of that year, after having cut the level in half between 1980 and 1982. ECOPETROL will spend 49 billion pesos on fuel consumption subsidies in 1985, 111 percent more than in 1984 in current pesos, and 76 percent more in constant pesos.

Figure 2
TRENDS IN GASOLINE PRICES
and Approximate Increases Needed to Stabilize It
at US $0.75 per Gallon or Return to Previous Prices



Key:

1. Level as of November 1984
2. Level as of December 1983
3. Minimum level indicated by IMF in March 1985
4. December 1983
5. November 1984
6. September 1985
7. December 1985
8. December 1985
9. Source: ECOPETROL, Calculations by EL SIGLO

8926
CSO: 3348/58

AGRARIAN REFORM PROGRAM CALLED INADEQUATE VEHICLE FOR POLICY

Bogota EL TIEMPO in Spanish 18 Nov 85 p 4-B

[Commentary by Hernan Jaramillo Ocampo]

[Text] Many authoritative political and economic sources insist on deliberately confusing agrarian reform with agricultural development programs, arguing or explaining that the former can be replaced by the latter, with considerable advantages for economic growth.

It is worth pointing out that we have two different problems and viewpoints here, although there may be a certain interrelationship between them. The function of agrarian reform is to seek a better distribution of wealth and of rural income. It requires a policy with a predominantly social scope. Agricultural development, on the other hand, aims at boosting production through projects to improve the conditions of land, transfer technology, enhance productivity--in short, various initiatives designed to expand agricultural production.

The country today has effective tools at its disposal to advance a dynamic agricultural reform program. Such a program is necessary to appease vast numbers of peasants who rightfully yearn for better employment, income and welfare opportunities. But instead of enforcing existing statutes, officials are once again engaging in reformism, and it is felt that with new laws the demands can be met and the needs for social change can be dealt with.

The agrarian reform bill introduced a few weeks ago, in my opinion, lacks a sound theoretical basis, and is weak as a means for organizing a new rural social policy. I am not unaware that to streamline procedures for the acquisition and expropriation of lands, it is a good idea to place them within an administrative framework that provides for a more expeditious handling of the purchase and distribution of lands.

I have some experience in the field of agrarian reform, and therefore I feel justified in calling for a concentration of government and legislative action in two or three essential aspects. In the first place, clear and objective rules must be laid down for the differentiation and classification of parcels to distinguish those which are being used adequately from those which are not. We should not return to the principles of Law 135 of 1958, because that system proved to be inefficient, and even worse, facilitated administrative practices that were of very doubtful morality. Since a series of subjective criteria were used to identify the quality of the parcel in question, the experts almost always ended up negotiating the classification of the land with an anxious owner in the hall of the estate's mansion, aided by some brandy or white rum.

I was called upon to design a reform program that would correct those errors, so in Chicoral we adopted a number of objective criteria, such as the profitability of the holding and the owner's compliance with labor legislation. I must confess that the system, which was theoretically defensible and attractive, turned out to be ineffective in practice. I therefore feel that new principles and techniques should be sought to classify land according to how well it is being used. This is a very important aspect, because whether or not the land is to be expropriated, and in many cases the form of payment, will depend on it.

I believe that experience has shown that appropriately utilized lands, which are now responsible for production and progress in agriculture, should be expropriated only in very exceptional cases in which social priorities are overwhelming, as stipulated in Law 4 of 1973. I also believe that when these holdings are expropriated, they should be paid for at the market price, on terms similar to those that reign in the voluntary real estate market. Moreover, the interest rates should be similar to those that prevail at the time on the capital market, very close to those that are being paid for time deposits.

Lands that are not being properly utilized, on the other hand, are serving a very doubtful economic and social function, and should therefore be subject to expropriation in all cases. The form of payment may be over a long term, with a punitive interest rate, representing a punishment for the owner.

To provide maximum legal and moral guarantees in the classification of lands, a list of qualified experts should be drawn up. The names should be selected from candidates nominated by each chapter of the Associations of Concession Holders, Societies of Farmers and Federations of Ranchers, and the process should be carried out in the presence of a third expert designated by the Agustin Codazzi Geographical Institute. In addition, a special court should be formed and authorized to review the respective expert investigation, at the request of the parties. I think these changes would be enough.

What is needed is a great political will on the part of the government and the political parties to undertake an agrarian reform program with social and economic provisions aimed at organizing the peasants. The latter would have the status of owners or partners in terms of agricultural income, and would thus be viewed within the framework of community enterprises.

I do not belong to the school of thought that regards agrarian reform as something that can be replaced by agricultural development. I think both goals are compatible and necessary.

The important thing is for the state, that is, the Executive and Congress, to recall that what the agrarian reform policy requires above all is significant budgetary support. I do not like the solution of creating specially earmarked revenues, which would be a form of taxation and would have an immediate impact on the cost of living, in that it actually represents a surcharge on imports of essential foodstuffs.

Agrarian reform resources should come out of the regular budget of the nation, and funding can be found by cutting back severely on superfluous and unnecessary spending, which continues to plague the national budgets.

Bogota, 14 November 1985.

8926
CSO: 3348/232

COLOMBIA

COFFEE, OIL, COAL CONTRIBUTE TO IMPROVED BALANCE OF PAYMENTS

Bogota EL ESPECTADOR in Spanish 17 Nov 85 p 2-D

[Article by Miguel Fadul]

[Text] The Colombian balance of payments has improved very substantially over the past year. The figures for 11 October in 1984 and 1985 were the following:

Balance of Payments as of 11 October
(in dollars, x 100,000)

	1984	1985
Current deficit	-1,713.4	- 153.7
Capital income	152.1	202.1
	-1,561.3	48.4
Gross reserves	1,614.5	1,935.8

Note that as of 11 October 1985, the balance of payments showed a surplus of US $48.4 million, while during the same period of last year, there was a deficit of US $1,561,300,000. Reserves grew by US $321.3 million between October 1984 and October 1985.

All this indicates that 1986 and 1987 will be much better years, as long as the devaluation rate is not below the inflation rate in Colombia. During the years in question, the international trade situation is expected to return to normal, and there will be enough foreign reserves to meet Colombia's need to import the most essential items, including capital goods and raw materials.

The factors that will contribute to that normalization are coffee, oil, and coal, in addition to external credit.

In 1984 coffee accounted for 47.5 percent of all revenues from exports. It is therefore still this country's principal and most important export. In 1986 and 1987, coffee sales abroad are expected to rise sharply as a result of the predicted drop in production in Brazil and other countries due to the drought. In Brazil, production totaled 29.0 million sacks last year, and it is estimated that production will be only 15 to 18 million sacks in 1986-87. In addition, a significant portion of production will be of the inferior grades, Robusta and Comilon. The market for these grades is limited, and the prices are quite low in consuming nations.

A major coffee exporter provided us with the following data:

Brazil
Sacks (x 1,000)

1985/86 harvest	28,000	
Probable 1986/87 harvest	17,000	
Brazil's quota		16,000
Domestic consumption		6,500
Exports above quota		1,000
Possible shortage		23,500

As can be seen, Brazil will fail to export or consume 6.5 million sacks, which must be provided by other countries that have surpluses. It appears that only Colombia and Indonesia have surpluses, and Colombia's is of very high quality. Even though Brazil has reserves of 10.8 million sacks, most of them are of inferior quality and cannot be used to make up the shortfall.

Under the aforementioned conditions, it is very likely that the pact will cease operating, and that there will be total freedom to export. According to some international trade experts, the most conservative estimate is that Colombia will export 2.0 million sacks more than its quota at a very good price, while other officials familiar with this sector contend that Colombia will be able to export 5.0 million additional sacks.

The above will necessarily result in prices higher than those of the international agreement, and this may very well lead to the elimination of the quotas and a decision to lift all restrictions on exports. Consequently, if this happens (and it appears very likely), Colombia's export prices will rise and its volume of exports will also increase.

The only dark cloud on the horizon of this product, which is essential to the Colombian economy, can be seen in the 1988/89 season, if the United States does not finally approve its participation in the International Coffee Organization. It is highly doubtful that that country will refrain from participating, because from 1988 on the situation will be extremely serious for the countries of Central America and the Caribbean, and for Brazil, Colombia and the African nations. Despite the prospects, all efforts are being made to persuade the United States finally to participate in the international agreement, which that country is reluctant to sign because it requires strong discipline on the part of producing countries. The goal is to keep them from selling coffee to other countries below the international price and in excess of their quotas, as is now happening with sales to countries behind the iron curtain. These countries are buying coffee at very low prices, only to turn around and resell it in countries such as Germany and Holland. It appears that the United States is right in demanding that the spirit of the agreement be observed.

Coffee expoerts insist that what lies ahead is not a coffee boom, but just a relief. Whether the former or the latter, higher coffee sales will considerably swell the income of the Coffee Fund and that of coffee producers. The Fund will thus be able to meet its debt payments, which total US $350 million. If the expected happens, the Coffee Fund's situation will return to normal.

In a very conservative estimate, the additional revenues are expected to be as follows:

a) From prices:	US $350.0 million
b) From coffee sales:	US $500.0 million
	US $850.0 million

Petroleum

At this time there is a balance between imports and exports of this fuel. Thus, the increase of 100 to 150 barrels per day in petroleum exports will yield additional net revenues in the balance of payments.

Oil exports will begin in mid-1986. By that year, then, exports are estimated for only 180 days. If we assume that exports total only 100,000 barrels per day, given the very understandable goal of maintaining production for more years, and if we also assume that a barrel of high quality oil is exported for US $22, a conservative figure, then exports for the latter half of 1986 will be as follows:

Ecopetrol: 10.8 million barrels at $200.00	US $237.6 million
Occidental-Shell - production cost	US $ 64.8 million
	US $302.4 million

In 1987, the figures will be at least doubled. All of this does not count the possibility of new discoveries, which would boost petroleum exports.

Coal

Coal exports are projected at 5.0 million tons for 1986, and of that total Colombian Coal, Inc. (CARBOCOL) is expected to export 3.0 million tons at US $40.0 per ton, yielding revenues of US $120 million. In addition, INTERCOR will have to bring in money to meet production costs, which are estimated at US $22 per ton. This yields revenues of US $44.0 million. All in all, coal will account for revenues of US $164.0 million in 1986.

In sum, even assuming the worst of conditions, the additional revenues will be as follows in 1986:

Coffee	US $850.0 million
Petroleum	US $302.0 million
Coal	US $164.0 million
	US $1.3160 billion

The above figures will rise in the case of petroleum, if a whole year of exports is considered for 1987. In the case of coal, when all the facilities are completed the amount of exports could reach 15.0 million tons per year.

In addition, it should be noted that at least US $1 billion in credit is already assured for 1986, and by that year the Colombian exchange rate will have been devaluated appreciably. This indicates that all of Colombia's foreign trade will have returned to normal.

8926
CSO: 3348/232

BRIEFS

BACKGROUND OF SUPREME COURT HEAD--The new chief justice of the Supreme Court of Justice, Fernando Uribe Restrepo, is a humanist and a philosopher of law who specializes in labor law. He is a member of the Committee of Experts of the International Labor Organization (ILO). He was born in Bogota on 11 April 1929, but his family was from Antioquia. He graduated from the Universidad Pontificia Bolivariana in Medellin, and went to Madrid to take specialized courses at the Instituto Social Leon XIII. He earned master's degrees at the University of Fribourg (Switzerland) and Catholic University of America (Washington). He is the son of Felix Uribe Arango and the grandson of former President Carlos E. Restrepo. He has been a professor of labor law, general sociology, sociology of development, Colombian social problems, and philosophy of law at several universities. He is widely respected by judicial and economic experts, and until last Tuesday he was deputy chief justice of the Supreme Court of Justice. Criminal law specialist Luis Enrique Aldana Rozo replaced him in that post. In 1960 Uribe Restrepo was named vice-president for social and labor affairs of the National Association of Industrialists (ANDI); he retired from that organization in 1978, when he was elected to the Court's Labor Division. He served as an employer delegate from Colombia and as a technical adviser at three conferences of the American Member States of the ILO, and at six international labor conferences. He was an associate justice in the Court's Civil Division, and served on the boards of Suramericana de Seguros, the University of Antioquia, Antioquia Social Security, and the Family Compensation Fund (COMFAMA). He is married to Cecilia Restrepo Londono, a social worker and university professor. They have seven children, several of whom are attorneys. He contributed to the PROMEC television program "Men, Women and the Home." His friends consider him a very intelligent man who is very sensitive, extremely knowledgeable of social matters, a great friend, and very shy. [Text] [Bogota EL TIEMPO in Spanish 14 Nov 85 p 3-A] 8926

FOREIGN INVESTMENTS LISTED--Foreign investment applications approved by the National Department of Planning during the first half of this year amounted in round numbers to $25 million, distributed as follows: foreign exchange, $9.6 million; nonrepayable licenses, $11.8 million; and transferrable pesos, $3.6 million. The sectors benefiting from the investments are: the manufacturing industry, with approximately $18.6 million; export trade, with $1.5 million; the mining sector, with $1.3 million; contracts, with $168,000; and fishing, with $784,000. The largest investment per unit totals $5.3 million, from Sweden, and the recipient will be a firm that makes sanitary products in Medellin. The investments are from the United States, Canada, Ecuador, Venezuela, Panama, Bermuda, the Dominican Republic, the Caiman Islands, Switzerland, France, the Federal Republic of Germany, Italy, Yugoslavia, Spain, Sweden, England, Holland, Belgium and Japan. However, over 80 percent are from the United States. The cities and towns receiving the investments are: Bogota, with over 70 percent of the investments, Cali, Medellin, Cartagena, Manizales, Itagui, Facatativa, Carmen de Bolivar and San Andres (Islands), where over $700,000 will be invested in the fishing sector, from the Caiman Islands. [Text] [Bogota EL TIEMPO in Spanish 30 Oct 85 p 2-B] 11,464

ECOPETROL LOSSES ANNOUNCED--By September, the Colombian Petroleum Enterprise had registered real losses totaling $15 billion, Minister of Mines and Energy Ivan Duque Escobar has revealed. The president of ECOPETROL, Alfredo Carvajal Sinisterra, said that those losses only amount to $10 billion. ECOPETROL losses result from the subsidy given to domestic fuel consumption and the impact of the devaluation on its foreign debt and on that portion of national oil purchased in foreign currency. One of the solutions to ECOPETROL's financial problem is the readjustment of fuel prices, but both officials agree that it is something that is in the hands of President Betancur. "The government has no set hour, day, week or month for doing so," the minister said. Duque Escobar noted that the government will have to take the necessary measures enabling ECOPETROL to meet the situation and mentioned, among other things: greater foreign credit facilities, fuel oil exports, higher oil production and other elements he did not enumerate. He said that ECOPETROL's financial problem is not critical but is of concern. He said that CARBOCOL [Colombian Coal, Inc.] has the necessary means for meeting claims such as the one filed by Domi-Prodeco-Auxini, totaling $13 billion, for the unilateral termination of the El Cerrejon Central contract. He added that the issue is being studied by the board of directors of the enterprise and that there will soon be open bidding by national firms to reopen the mine. The minister spoke yesterday in connection with the 8th Latin American Geology Congress, which began its deliberations in Bogota. In his opening speech, he proposed the establishment of a seismic system from the Antarctic to the Arctic to prevent phenomena such as those which destroyed Mexico and Popayan. [Text] [Bogota EL COMERCIO in Spanish 10 Oct 85 pp 1-A, 9-A] 11,464

CSO: 3348/169

BRIEFS

DLP REPLACEMENT FOR JOHN--Former Dominica Prime Minister Patrick John, who is appealing a 12-year sentence for conspiracy to overthrow the Eugenia Charles government has been temporarily replaced on the executive of the opposition Dominica Labour Party (DLP). DLP leader Michael Douglas told CANA economist and former UWI Extra-Mural tutor Jerome Barzey had been appointed DLP's acting general secretary. Barzey unsuccessfully contested the July 1 general elections but John won in a close contest. Douglas says if John wins his appeal he will automatically resume his functions. Otherwise the post will be filled at the party's next convention scheduled for next April. [Text] [Kingston THE DAILY GLEANER in English 7 Nov 85 p 7] /8309

CSO: 3298/178

MAYOR OF CAPITAL COMMENTS ON ELECTION VICTORY

Guatemala City PRENSA LIBRE in Spanish 5 Nov 85 p 2

[Text] "The people recognized that our policies are sound and honest, and gave us their support in a massive voter turnout," said Alvaro Arzu Irigoyen, winner of the mayoral election in the capital city, speaking yesterday evening in a press conference at his party's headquarters, at 8th Avenue and 3rd Street in Zone 1.

"The number of votes we won in this election means that the PAN [Party for National Advance] is now a top-ranking political force in our country," he declared at the press conference, also attended by members of his slate.

"This becomes very clear when we recall that this party is barely 6 months old, and its candidate got twice the number of votes as his major opponents, who were backed by some of Guatemala's traditional parties, the Revolutionary Party and Christian Democracy."

The citizens' support for the winner topped his 1982 vote total by 93,000 votes; in 1982 he was elected mayor for the first time. "That is also an important factor to remember," said Alvaro Heredia, president of the PAN.

Arzu Irigoyen won a total of 160,017 votes from a total of 848 ballot boxes counted, winning 41.8 percent of the 551,417 votes cast. In second and third place were Oscar Clemente Marroquin of the PDCN-PR [Revolutionary Party] coalition, and Elmar Rene Rojas of the Guatemalan Christian Democracy Party.

With this victory, Arzu Irigoyen won seats for four of his associates and six of his council members on the city council. The four associates are: Gustavo Barrios Enriquez, Jose Arturo Pellecer Arellano, Oscar Zelaya Coronado, and Roberto Gonzalez. The six council members are: the PAN president, Alvaro Heredia Silva; Carlos Valle Torres; Oscar Berger Perdomo; Conrado Noick Samayoa; Julio Dougherty Liekens; and Eduardo Castillo Arroyo.

7679
CSO: 3248/91

NON-GOVERNMENTAL COMMISSION ON HUMAN RIGHTS SITUATION

Guatemala City PRENSA LIBRE in Spanish 31 Oct 85 p 29

[Statement by the Commission on Human Rights in Guatemala, member of the FIDH, and of the Commission for the Defense of Human Rights in Central America; issued in Mexico City, October 1985]

[Text] To the people of Guatemala:

We the undersigned, members of the Advisory Council of the CDHG [Commission on Human Rights in Guatemala], attached to the FIDH [International Federation of Human Rights], an advisory body of the United Nations, wish to state the following, during these very difficult times for the Guatemalan nation:

1. On repeated occasions, the international community, acting through different organizations, has shown itself to be seriously concerned about the persistent climate of human rights violations prevailing in Guatemala. This concern is entirely legitimate, given the international nature of human rights protective standards, and the obligation of the member states of the United Nations to guarantee the effectiveness of and compliance with these standards.

2. The most recent of these demonstrations was the resolution passed in Geneva on 28 August 1985 by the Subcommission for the Prevention of Discrimination and Protection of Minorities, which expresses once again its profound concern about the "massive, grave, and systematic violations of human rights which continue to occur in Guatemala, especially the acts of violence perpetrated against the civilian population, the disappearances, assassinations, acts of torture, and extrajudicial executions."

3. In this resolution, the United Nations group also expresses its concern "...about the restrictive measures that limit the freedom of the native population, in particular their forced relocation and their concentration in militarized villages, as well as their compulsory participation in civilian patrols organized and controled by the armed forces." It also urges the government to take effective action so that its authorities and agencies, including its security forces, will fully respect human rights and fundamental liberties, and also so that "... those persons responsible for human

rights violations, including members of the army, its paramilitary units and the security forces, will be tried immediately and effectively, and punished accordingly."

4. It also urges the Guatemalan government to provide accurate information on the fate of all persons who have disappeared since the beginning of the conflict, asking the government particularly "... to halt, impede, and prevent all persecution and abuse of members and leaders of the Mutual Support Group, and to respond to its requests in a satisfactory manner."

5. The resolution further asks the Guatemalan government to allow the entry of international humanitarian organizations to assist the civilian population in areas undergoing conflict, in particular the International Red Cross Committee, urging all interested parties in Guatemala to ensure the application of the appropriate provisions of international law, in particular the Geneva Accords of 1949 and the Additional Protocol to that agreement.

6. The Subcommission also expresses its profound conviction that solutions for the present crisis in Guatemala will be reached much more easily if the Guatemalan people are allowed "... to determine their political, social, and economic future freely, without foreign interference, and in a climate free from intimidation and terror." It then adds that its concerns about this matter are being expressed to the government of Guatemala "... because of the climate of intimidation and terror now reigning in the nation, which is an obstacle hindering the free participation of all political forces, social groups, and citizens in the presidential elections that will be held in November 1985, and also because of the inadequacy of the conditions for the effective participation of the native population, as well as the rest of the rural and peasant population, in the nation's political life."

7. After the date when the resolution from which we have just quoted extensively was approved, some very serious events have taken place in Guatemala, among which we should cite the massive demonstrations protesting immoderate price increases, particularly in urban transportation fares. These demonstrations led to the arrest of hundreds of people and to military intervention in facilities of the University of San Carlos.

Even though the government has modified some of its unpopular measures, there can be no doubt that a climate of discontent still persists. It has been expressed, for example, in the many strikes which have erupted demanding salary increases.

For all of these reasons, it is clear to us that for a true process of democratization to take place in Guatemala, the following essential conditions must be present:

a. The elimination of the climate of intimidation and terror now prevailing in the country, as well as the unrestricted respect of human rights and fundamental liberties by the government and its security forces.

b. The elimination of restrictive measures limiting the freedom of the native population, especially the repeal of the laws on "institutional coordinators," and of the decrees allowing the army to force the civilian population to join in so-called "civilian patrols," and forcing the civilians to relocate in "model villages" or "development poles."

c. The arrest and trial of all those members of the army or of paramilitary groups and security forces responsible for human rights violations. As it has been demonstrated extremely clearly by the present democratic government in Argentina, the top military leaders involved in this repression must be tried in accordance with current legislation and punished appropriately.

d. The preceding statement also implies that a suitable organization must be created to investigate the whereabouts of persons who have disappeared, and to provide information in a prompt and truthful manner, in order to bring an end to the suffering and anguish of their families.

e. It is obvious that in order for all political groups to be able to take part in elections, the clandestine repression apparatus which now exists in Guatemala must be dismantled, and as has already been stated, those responsible for crimes against humanity must be brought to trial. For if that is not done, there will not be sufficient protection for the citizens as a whole to take part in elections or organize in a public and lawful manner.

f. Above all, the rights of the native population must be respected, and they must be provided with their own organizations so that they can make proposals directly related to native cultural values.

g. In order to promote the social stability that can generate true conditions for democratic political participation, urgent steps must be taken to provide a temporary remedy for the most pernicious effects of the economic crisis: for example, by creating new sources of jobs, by guaranteeing job security, by granting wage increases that will enable people to cope with inflation, or by providing lands to peasants who have been uprooted or to those who lack land, given the profoundly inequitable nature of the nation's agrarian structure. The tax system must also be reformed so that the state will have adequate resources to implement an economic policy designed to promote social stabilization.

If the government's policy were to show true signs of moving in the direction indicated above, Guatemala could really begin a process of transition to democratic life. If that does not happen, it is our conviction that the painful and tragic climate which has darkened the life of this country which is so dear to all of us will continue to fill its political life with violence and fear, creating poverty, hunger, and illness in Guatemalan society.

Freimut Duve (Germany): former mayor of Hamburg; member of the Federal Parliament (SPD [Social Democratic Party of Germany])

Adolfo Perez Esquivel (Argentina): Nobel Prize for Peace

Rodrigo Carazo Odio (Costa Rica): former president of Costa Rica; president of the University for Peace (United Nations)

Elizabeth Odio Benito (Costa Rica): former minister of justice; special representative of the United Nations

Carman Naranjo (Costa Rica): former UNICEF representative to Guatemala; director of the Central American University Publishers

Joaquin Ruiz Gimenez (Spain): magistrate, public defender (human rights attorney)

Victoria Abellan (Spain): former president of the University of Barcelona; professor of international law (University of Barcelona)

George Wald (United States): Nobel Prize for Biology and Medicine; professor emeritus at Harvard

Philippe Texier (France): jurist and magistrate, member of the Supreme Court

Pierre Philippe Rey (France): political scientist, professor at the University of Paris VIII; staff member of the CNRS [National Center for Scientific Research]

Claude Meillassoux (France): anthropologist, professor at the University of Paris VIII; staff member at the CNRS

Augusto Willemsen (Guatemala): attorney and anthropologist; former member of the U.N. Human Rights Center; United Nations consultant

Theo Van Boven (Holland); jurist; former director of the U.N. Human Rights Center

Lord Eric Avebury (Great Britain): member of Parliament (House of Lords); chairman of the Interparliamentary Group for Human Rights

James O'Brien (Great Britain); president of the department of international affairs of the Episcopal Conference of England and Wales; Bishop of Westminster

Salvatore Senese (Italy): jurist and magistrate (Supreme Court); member of the Superior Magistrates Council

Rudolfo Stavenhagen (Mexico): anthropologist and sociologist; coordinator of the College of Mexico; president of the Mexican Academy of Human Rights

Mariclaire Acosta (Mexico): political scientist, professor in the Faculty of Political and Social Sciences (UNAM [National Autonomous University of Mexico]); secretary of the Mexican Academy of Human Rights

Richard Baumlin (Switzerland); professor of constitutional law at the University of Bern; member of parliament

Elizabeth Baumlin (Switzerland); jurist, professor at the University of Bern

Louis Necker (Switzerland): anthropologist and ethnologist; director of the Museum of Ethnology and Ethnography of Geneva

Alejandro Artucio (Uruguay): university professor, jurist; executive secretary of the International Commission of Jurists (Geneva)

7679
CSO: 3248/91

IVA PAYMENT FRAUD DISCOVERED BY MINISTRY OF FINANCE

Guatemala City PRENSA LIBRE in Spanish 30 Oct 85 p 5

[Text] A new irregularity consisting of a "phantom collection office" in which the payment of IVA [Value Added Taxes] was supposedly recorded has been discovered by officials of the ministry of finance.

As we reported earlier, the discovery of thousands of records and checks that were filed away to avoid payment of a variety of taxes--which could amount to 50 million quetzales--is also being investigated.

This new irregularity was discovered as a result of the investigation being conducted of these checks and records, thus proving the operation of this "phantom collection office," through which about 125,000 quetzales have been stolen, to the detriment of a number of businesses, and not to the detriment of the treasury.

It is supposed that this office was operated outside of the general division of internal revenue of the ministry of finance. The persons responsible used a seal and a signature that must have been forged, and which appear on a number of checks from persons paying this tax.

This office recorded the amount of the tax paid; however, the money was never turned over to internal revenue. This illegal practice began in April 1985.

The majority of the businesses which will be affected by this irregularity are cotton firms, poultry farms, mechanical services, farm equipment, etc. The names were not released, to avoid impeding the investigation that is continuing in order to clear up this case.

The journalist Jesus Alvarado Mendizabal, director of public relations at the ministry of finance, explained this affair, reporting that an investigation being conducted of taxpayers who had fallen behind in their payments had brought this irregularity to light.

He stated that the staff that operates the payment collection office had nothing to do with this case, as the "phantom collection office," as it is being called, was operated from outside the finance ministry building.

The complete investigation will end this week, and then further details will be released. All the operations were done with records including sworn affidavits and IVA payments, with payments of 6,000, 24,000, 14,000 and 15,000 quetzales, as well as other amounts.

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CSO: 3248/91

PNP CONTINUES ATTACKS ON GOVERNMENT, JLP EXPOUNDS POLICIES

PNP on Auction, Elections

Kingston THE DAILY GLEANER in English 1 Nov 85 pp 1, 3

[Text] Thousands of PNP supporters marched on the Central Bank yesterday morning demanding elections now and that the Government stop the foreign exchange auction.

An all-night vigil preceded by a mass meeting at the National Heroes Park, where the crowd was estimated by Police at 80,000, culminated in the march led by the President of the PNP, Mr. Michael Manley who declared that Jamaica was at a "dangerous cross roads."

The vigil and demonstration were relatively incident-free.

The march of the placard-bearing protesters on the Central Bank was only a statement, Mr. Manley told his supporters as he addressed them early yesterday morning.

"Maybe I'll have to ask you to do other things. If the powers that be won't hear us, we're not finished," Mr. Manley said.

Referring to the Prime Minister's address to Parliament Wednesday night, Mr. Manley said that it took Mr, Seaga too long to learn that the people were suffering; and if it took so long he (Mr. Seaga) could not lead Jamaica.

In his address to the thousands of people on Wednesday night, he said that the Constitution had been framed by Norman Washington Manley and William Alexander Bustamante so that Jamaica could have a civilised democracy. The PNP had been elected in both the '72 and '76 elections but was cast out in 1980; however, he did not quarrel, rather he took his defeat in the spirit of democracy, Mr. Manley said.

The founding fathers agreed that the system would run so that every five years, the people would have a right to say if they wanted a change, he said, recounting what he called the "corrupt act" of 1983 when the Government decided to play a trick. The PNP took a stand that it would not be a part of "that corruption."

Since the 60 men went into Gordon House where nobody had put them, "we have not made any major quarrel up to now," Mr. Manley declared to his cheering supporters.

Mr. Seaga had gone to Parliament and spoke for 120 minutes and had said nothing, he said, referring to the Prime Minister's fifth anniversary address to the nation.

"After five years, the people have a new right, a right to talk one more time. I believe in the rule of law and a civilised society but at some time you have to stand up for the principle in which you believe. There are times when in defence of a principle in which you believe you have to take action," Mr. Manley shouted to rousing applause.

"Let the people decide if they want you another five years or they want another way forward. I don't know what will happen next week or the week after and I respect tourism," he said.

The PNP was not into guns and subversion, but that was not to say that they were going to lie down. "I don't say we're going to block streets; that don't come yet... all I say is to come spend a night with me and everybody in pandemonium," he said, referring to the concerns expressed by leaders in the tourist industry.

He urged these leaders to speak quickly to the Government for he was not promising that it was only one night the party was going to spend.

"I don't want to fight," he said recalling the JBC's case 20 years ago when issues of principle had to be fought, "but if they make us have to, let that be their decision."

He asked the crowd if they were going to wait eight years to vote. They replied a resounding, "No." He said he felt that the country was at a "dangerous" cross roads as many of what the country's leaders had sacrificed to build was in danger of being thrown away.

Mr. Manley accused the Government of manipulating the auction system as he noted that many were using the auction to import things that Jamaica could not afford, mortgaging the nation's future deeper and deeper.

"They don't have the guts to stop the madness. If nobody will move some other thing will have to be done," he said, declaring that a PNP government would return the country on a path of participation and self-reliance.

Mr. Manley's address was followed by dancing, singing, the showing of a film on Bob Marley and a candle lighting exercise; then devotions at 6 a.m. conducted by the Rev. Ernle Gordon, Rector of the St. Mary's Anglican Church.

In his final charge to the crowd, with placards hoisted, Mr. Manley said that today (Thursday) the party was just making a statement which was to be followed by mass meetings across the island to spread the word.

Headed by Mr Manley thousands left Heroes Park at 7.30 a.m., surging down East Street, along East Queen Street, on Church Street to Port Royal Street and along Nethersole Place. When Mr. Manley reached the Bank of Jamaica those in the rear were still at Heroes Park.

They sang party songs--"We Cannot Hold Any Longer," "You Wrong Fe Trouble Joshua" and "Stop the Auction Now"--and hoisted the placards, some of which read: "Dollar Gone," "Look What We Come To," "Is This the Shattering Offensive" and "Election Now."

Mr. Manley climbed the steps of the Bank of Jamaica and raised his clenched fists which sent the crowds, cheering wildly: "We Want Joshua." He greeted the workers at the Bank and shook the hands of members of the Security Forces whom he had earlier thanked for their cooperation.

The disciplined crowds dispersed after Mr. Manley gave them a brief talk in which he called for elections and for the auction to be stopped. Chairman of the party, Mr. P.J. Patterson also addressed the crowd.

Early morning traffic had to be diverted from the vicinity of the demonstration, but curious workers peered from high-rise buildings to get a glimpse of the affair.

The entire event from Wednesday to yesterday morning was relatively incident-free. A helicopter which hovered at times over the park drew objections from sections of the crowd.

Other members of the PNP leadership addressing the crowd were: Vice President and President of the Women's Movement, Miss Portia Simpson; Vice President, Mr. Seymour Mullings; and General Secretary, Dr. Paul Robertson.

Manley on Foreign Investment

Kingston THE DAILY GLEANER in English 4 Nov 85 p 15

[Text]

The People's National Party not only welcomes foreign capital but also believes that foreign investors have an important role to play in Jamaica's development.

So said PNP president Mr. Michael Manley when he addressed an audience of Jamaican and Caribbean students and residents in Washington, D.C., at the Cramton Auditorium of Howard University, a PNP release said.

Mr. Manley pointed out that the PNP Government of the '70s was one of the few Caribbean governments which prepared for Parliament, a code for foreign investment which was discussed with private sector interests in the United States and in Jamaica.

This code, he said, was considered a model of its kind. It demonstrated the PNP Government's respect of the role of foreign investment in a country like Jamaica "in the context where foreign capital is a part of what you do, it is not the whole of what you do, because the whole of what you do must be done by you".

The PNP, Mr. Manley said, knew and understood that when foreign capital comes to Jamaica, honourable terms of its relationship with the country must be negotiated.

"We know and well understand that foreign capital cannot be asked to invest as an act of charity, but has a legitimate expectation of profit and must be able to repatriate these profits.

"While there is this commitment to the rights of foreign investors, the country has a responsibility to ensure that the reins of development are held in our own hands and the residual reality of economic control remains in the power of the people."

He said it was only dishonest propaganda which had spread the view that the Party did not wish foreign capital in Jamaica. "The foreign corporations and businessmen who dealt with us in the '70s knew they had perfectly respectful relations with the PNP Government," Mr. Manley asserted.

JLP Retreat Resolution

Kingston THE DAILY GLEANER in English 4 Nov 85 p 3

[Text]

The Jamaica Labour Party issued the following news release last night:

"Highlight of the week-end retreat of the Jamaica Labour Party was a resolution unanimously passed by members of the Standing Committee, which included Members of Parliament and Senators endorsing the Government's economic policies and strategies as "being sound, sensible and correct."

"The resolution also stated that the Government and the party should continue to take the necessary steps to bring about a greater understanding of its policies among the Jamaican public.

"The retreat started on Friday with a meeting of the Cabinet which continued on Saturday morning. This was followed by a meeting of the Standing Committee, the chief policy-making body of the JLP. The final session of the Retreat will be held next Sunday when all Councillors and members of the Central Executive of the party will meet.

"The meeting congratulated the Government on skillfully managing the economy, and avoiding the massive disruptions which could have been expected to result form the dramatic fall-out of U.S.$500 million (J$3 billion) from the current budget, as compared with revenue from bauxite and alumina in 1980/81, and which was occasioned following the closures of the Reynolds and Alpart.

"The retreat also noted with concern the cumulative shortfall from bauxite and alumina earnings, in the last five years as compared with 1980/81 earnings, of U.S.$1.7 billion.

"The effects of just these two major setbacks this year totalling U.S.$540 million or some J$3 billion, the retreat reviewed in the light of a total budget for 1985/86, of J$4.2 billion. The retreat concluded, that while sympathising with public sector employees who have been laid off or made redundant, and while regretting Government's inability to grant wage increases at levels demanded by teachers, nurses, etc., that given a shortfall in Government income of $3 billion, there was no alternative to Government's actions under the existing circumstances.

"The retreat examined progress being made in the structural adjustment programme, aimed at attaining efficiency and competitiveness of price and quality in the agricultural, manufacturing and tourism sectors, so as to reduce the abnormal and undesirable dependence of the economy on the mining sector, the collapse of which was responsible for the crisis which confronts the country at this time.

"The retreat noted the success of the Government's agricultural programmes, and the widsom of its new policies and strategies, which were attracting unprecedented investment activity, land utilization and diversification of crops as a result of which success the aim of achieving self-sufficiency in production of food was now achievable.

"Note was also taken of steps which have been taken to provide manufacturers with protection via tariff imposition on competing imports, as a replacement for protection which formerly was by way of import licensing. Steps to contain illicit imports, and avoidance of duty payment were also discussed.

"The JLP Party Conference will be held on November 23 and 24, at the National Arena."

Carl Stone Comments

Kingston THE DAILY GLEANER in English 6 Nov 85 p 8

[Text]

ON WEDNESDAY night last, both the PNP and the JLP leaders competed for our attention as they attempted to give divergent views on the last five years in Jamaica.

Mr. Seaga was on the airwaves interpreting his policies and comforting us that while there were problems his were the only answers. Mr. Manley led a verbal assault on Seaga's policies from an all-night vigil in Heroes Circle that culminated in an impressive, peaceful demonstration at the BOJ against the auction system. The WPJ tried to upstage Mr. Seaga by predicting what he was going to say. He outfoxed them by steering clear of the predicted course.

I took the trouble to listen to both Seaga and Manley.

Of the two, Mr. Manley's mass rally was indeed the main event. I got there at about 9.30 and it was with great difficulty that I got within 30 yards of the speakers' platform because of the massive and dense crowd that got there before I did.

At about 11 p.m. I tried to estimate the size of the crowd by measuring its human body length and depth at various points. There were at least 50,000 persons in the park and another 1,500 in the surrounding areas and on the streets around the park.

It was certainly the largest public meeting ever held in the Corporate Area. The only other crowd I have seen in the Corporate Area that matches the PNP turnout on Wednesday night was the anti-Estrada march organised by the JLP one Saturday about six years ago.

Quiet faith

The mood of the crowd was, however, very restrained. There was none of the accustomed exuberance and high spirits. The people are overburdened with economic and social hardships. They have not entirely forgotten the problems of the 1970's although they now believe that there was far more hope for them to survive in the 70s under Manley than in the 80s under Seaga. Those memories serve to restrain their expectations. They also know that there are no painless instant solutions. All of this is reflected in their silent quiet, subdued, and introspective manner.

They know that the PNP has no miracle alternative to put in place but have a quiet faith that a new PNP government under Manley will be at least a government with a heart of concern for the poor that will not (as casually as the JLP has done) turn its back on taking care of people's survival needs.

Whether that faith is right or misplaced remains to be seen.

In 1981 the PNP left a budget deficit that was the third highest in the entire Third World and about four times the average Third World level. Would a new PNP government change its fiscal policies?

There was no ideological faith being propagated on the PNP platform. The word socialism was hardly mentioned. Apart from Portia Simpson who never fails to get choruses of crowd response when she delivers blows against the JLP's price and welfare policies, the crowd response to the PNP speakers who preceded Michael Manley was rather weak.

One-man show

The Heroes Circle meeting was a one-man show.

Indeed, the whole spirit of the meeting centred around a rekindling and renewal of faith in the 'comrade leader' Michael Manley. His arrival electrified the gathering and his rousing delivery reinforced people's faith that the PNP was not afraid to challenge Seaga.

The people are fed-up with Mr. Seaga and they came in their numbers to Heroes Circle to satisfy themselves that Michael is ready to help them put Seaga under manners. They left convinced that Michael was indeed ready.

The reason for the people's anger towards Eddie Seaga is not difficult to fathom. His speech in parliament captured the essence of how much he is the prime asset in the PNP's hopes for a major victory at the polls whenever the next election is called.

Mr. Seaga had absolutely nothing to say on Wednesday night that could have held any one's interest for more than five minutes. I listened to most of its becase I am a journalist. Were I not a journalist I would certainly have turned off the radio after five minutes.

Each time Eddie opens his mouth you can predict almost every word and every phrase because you have heard it before. The flat monotone of his delivery does not help us as if we are bankers and World Bank or IMF technocrats rather than ordinary citizens. He talks as if devaluation was always part of his export promotion strategy when it was forced on him by the bauxite collapse.

Too uptight

Mr. Seaga is too uptight. He is like a breadwinner who has lost his job and has no money coming in but leaves for work every morning, pretending to his family that he still has the job. He paints a beautiful Alice in Wonderland picture of the economy and its progress under his management that flies in the face of the reality experienced daily by 90% of Jamaicans. Yet he continues with this pretence like the redundant worker who dresses up and leaves home every day as if he still has a job.

I wonder who he thinks is still listening?

Mr. Seaga's colleague, Mr. Charles, phoned up 'Public Eye' the day after the PNP monster rally to complain that Mr. Manley only wants an election now because he thinks he could win it, but that he fears waiting for another three years when the economy will turn around and he will lose it.

Obviously, Mr. Seaga's Alice in Wonderland economic projections have confused even level-headed politicians like Charles who usually has his feet firmly planted on the ground of reality.

In the light of Charles' Public Eye comments, Carl Wint's classic LEMI-NOTEP piece about Mr. Seaga waiting for a miracle takes on quite a different meaning. I read it as a piece of humour but it now seems that Seaga, Charles and the JLP are indeed expecting a miracle.

An interesting side show to Wednesday night's political fight card was the way in which UWI Economist, Mark Figueroa, had Mr. Seaga on the ropes on the JBC call-in programme with some blistering questions about his bauxite projection fumbles and his inaccurate assurances about stabilising the dollar. The ruffled Mr. Seaga was virtually defenceless as he tried to duck Figueroa's searching punches.

In challenging Mr. Manley's call for elections, Mr. Charles issued a thinly veiled threat that JLP supporters will not sit idly by and allow the PNP to bring down Mr. Seaga's government. This threat has to be seen against the background of recent events that are quite disturbing. JLP gunmen recently fired shots from on top of buses accompanying the JLP motorcade when the Prime Minister returned from overseas. Those shots were directed at civilian bystanders as well as at two Police Stations according to reports which were overheard on the Police radio system. Does the JLP really believe that guns can deter a people's will to replace a government in whom they have lost confidence?

Although the PNP vigil and march were peaceful, JLP spokesmen like Charles claim that the PNP's stance on elections represents a threat to political stability. When I hear these comments I am never sure as to whether they are talking about what the PNP intends to do or what reactions the JLP intends to mount.

To force Seaga out of office would require bringing the country to a standstill. It would require both widespread protests that would cripple the economy and political violence. I don't think Manley is likely to try that. Charles obviously thinks so. I would give the JLP an excuse to postpone elections indefinitely or to invite foreign troops. But if his speculation is wrong can Charles not be accused of a kind of self-fulfilling act of destabilisation by frightening people about events that might very well never occur?

Frightened government?

If there is any threat to stability it is a frightened government whose mass support has been eroded but seeks to hang on to power waiting on a miracle.

When the JLP demanded and got an election in 1980, Mr. Seaga, Mr. Charles and others made the case on the grounds that the PNP policies had failed and the popular mandate needed to be renewed at the polls. They knew that public opinion had turned against the PNP and pressed for elections in the national interest because the PNP government had lost genuine popular support. Mr. Manley did not arrogantly resist the claim as Seaga and Charles are now seeking to do on the flimsy legalism that the constitution leaves it up to the Prime Minister to make that decision.

Now that the boot is on the other foot and it is the JLP that has run out of genuine popular support and it is the JLP's policies that are seen as having failed, why is the JLP not behaving as honourably as Mr. Manley did in 1980 by letting the people decide who should govern?

When people have withdrawn confidence in a government how can it hope to govern effectively?

Whether it is greed for power for its own sake or an obsession to wait until a miracle happens, the arrogance of the JLP is a major factor which made the PNP's Wednesday night vigil into a main event attracting 50,000 citizens united in a wish to see the back of Mr. Seaga and his government.

JLP Shake-up Denial

FL051610 Bridgetown CANA in English 1545 GMT 5 Nov 85

[Text] Kingston, Nov 5--Ruling Jamaica Labour Party (JLP) Chairman Bruce Golding has denied a newspaper report of a planned major shake-up of the party's hierarchy at its annual conference later this month.

THE GLEANER newspaper indicated yesterday that the changes were designed to brush-up the JLP's image, in the face of its diminished popularity because of Prime Minister Edward Seaga's austerity policies, and a feeling that some of the leadership were not pulling their weight.

The JLP's top policy-making arm at a weekend retreat gave the Seaga policies a full endorsement, but THE GLEANER quoted what it said was a source close to the meeting as saying that by not doing enough party work, the deputy leaders gave the impression of one-man leadership in the JLP.

However, Golding said that at no time during the retreat was the issue of reshuffling party posts raised, and branded THE GLEANER story as mischievous.

He noted that the election of officers would take place during the business session of the November 23-24 conference and that as part of the normal preparations, constituency groups had been invited to submit nominations.

This is a normal and necessary part of the democratic process by which officers are elected and it is wrong and unprofessional...to give the false impression that these elections are in any way the subject of bitterness and intrigue, Golding said.

Manley on PNP Protests

Kingston THE DAILY GLEANER in English 7 Nov 85 p 3

[Text]

The minute a firm date for a General Election was announced, the need for demonstrations and other forms of peaceful and Constitutional protest would disappear, according to the President of the People's National Party Mr. Michael Manley.

He was responding to the JHTA's concerns about the PNP's vigil last week in a letter to its President Gordon "Butch" Stewart.

Mr. Manley said that the JHTA should direct their concerns to the person who was creating the present difficulty by his "obstinate refusal" to protect the democratic rights he swore to uphold as Prime Minister.

"If it is your feeling that peaceful and Constitutional protest aimed at the restoration of democratic principles is bad for the Tourist Industry," Mr. Manley said,"I would be obliged to disagree with you while respecting absolutely your rights to your opinion:"

Mr. Manley pointed out that while he thought Mr. Stewart's comments might have been well intentioned, he thought them nevertheless "misconceived and misdirected."

He drew attention to the fact that although the estimates of the crowd at the meeting, vigil and the demonstration ranged between 50,000 and 80,000, the protests were conducted with exemplary discipline and passed without a single incident to disturb the peace.

Mr. Manley reminded the JHTA President that five years had passed without the Jamaican people having the opportunity to express their democratic feeling in the form of a vote of approval or disapproval of the manner in which the affairs of the country were being conducted.

"As one who upholds democracy," Mr. Manley said "I would have thought that your voice would have been foremost in calling for the observance of democratic principles in our country and for an end to the one-party Parliament which sits like an irrelevant shadow across the fair countenance of our democratic history as a country."

Manley on 'Threat to Democracy'

Kingston THE DAILY GLEANER in English 11 Nov 85 p 1

[Text]

People's National Party President Mr. Michael Manley has warned that the action of Prime Minister Edward Seaga in not calling elections now that the PNP has said they are due, posed a "threat to democracy" in Jamaica.

Mr. Manley stated this position as he addressed some 60 religious leaders of various denominations at the Courtleigh Hotel on Wednesday.

"If we don't get elections," he declared, "there are going to be many more statements."

He challenged the religious leaders to let their voices be heard on the principle that elections should be held, now that five years had passed since the people were given the chance to select the Government of their choice.

Accompanying Mr. Manley in the talks with the Churchmen were the Party's Vice President and Shadow Minister of Public Utilities and Transportation, Mr. Bobby Pickersgill; the Shadow Minister of Construction, Mr. Easton Douglas, and the Constituency Representative for Eastern St. Andrew, Mr. Ossie Seymour.

The PNP President warned the clergy that what Mr. Seaga was attempting to do by deffering elections for up to three more years posed a serious danger for democracy in Jamaica.

Mr. Manley also drew to the attention of the religious leaders the view that was fequently expressed that when there was a fundamental political issue there was a tendency for some people to refrain from speaking because it meant becoming involved in politics.

"But if you and all the other leaders of our countries do not speak out because it will be interpreted as being politically partisan, you are placing a great burden on us to contine demonstrating our concern — because we cannot shrink from our duty to democracy."

Mr. Manley said the PNP did not assume the arrogance of believing that the Party should, as of right, lead the country; only the people had that authority and right to say so. What could not be right, however, was for Mr. Seaga to defeat the principle of democracy in Jamaica, he said.

It would, he emphasised, be a massive defeat of democracy if the people were denied their moral right for eight years to vote for the Government they chose.

The current attitude of Mr. Seaga, the PNP President said, could lead to dangerous implications for Jamaica.

"One of the great strengths of democracies is that the system provides people with various stated periods for the renewal of their faith, optimism and commitment, and one of the things which give democracies extraordinary stability is to take counsel from the people from time to time, to listen to their views, and allow them to express their decision by vote," Mr. Manley suggested.

The only national mandate received by Mr. Seaga was in 1980, he declared. No such mandate was given to him by the people of Jamaica in 1983.

Mr. Manley said the demonstration in Kingston at the National Heores Park and bank of Jamaica on October 31 and November 1 was not a threat. It was a statement, expressed with exemplary discipline and perfect peace, to those who wanted to hear from the people.

He added: "I say that the right of the people of Jamaica to vote after five years is not a matter of politics. It's a matter of principle."

Seaga Domestic Tour

Kingston THE DAILY GLEANER in English 11 Nov 85 p 3

[Text] Prime Minister and Jamaica Labour Party (JLP) leader Edward Seaga is to go on an island-wide tour next month in order to "see at first hand and discuss in details" with Parish Councillors and divisional caretakers of his party the problems and concerns affecting their divisions.

A release from the JLP last night at the conclusion of the party's retreat held over the last two weekends said Mr Seaga made the announcement while addressing the final session of the retreat. It quoted Mr Seaga as saying he would be looking at "ways and means of assisting" Parish Councillors in improving services in their divisions while examining the implications of the restructuring of Local Government services with them.

The Prime Minister's announcement was greeted with enthusiasm from the gathering which also comprised Senators, Members of Parliament and members of the Central Executive.

Among the items on the agenda discussed was the upcoming launching of the Caribbean Democratic Union proposed by Mr. Seaga at the meeting of the International Democratic Union, for like-minded parties in the region to form their own body, the release said.

Mr. Seaga reiterated the Government's commitment to the development of agriculture, tourism and the manufacturing sector as a strategy to offset the dramatic decline in bauxite earnings. He elaborated on the many social programmes initiated by the government for the benefit of youth, the aged and the poor and to cushion the initial hardships of some of government's programmes, the release said.

These he cited as the national school feeding programme, the provision of textbooks for primary school children, the food stamp programme, the construction of the Golden Aged Home as well as the Human Employment and Resources Training programme (HEART) and the Solidarity programme which is to be launched soon.

Manley Promises to Private Sector

Kingston THE DAILY GLEANER in English 12 Nov 85 p 3

[Text]

President of the People's National Party, Mr. Michael Manley, yesterday assured scores of private sector representatives that his Party had built "very strong bridges" of co-operation with the United States of America.

Mr. Manley who was addressing the sector on the PNP's social and economic plan in an informal exchange at the Jamaica Pegasus Hotel, declared that he himself was a member, of the private sector and he knew the problems the sector faced in the economy at this time.

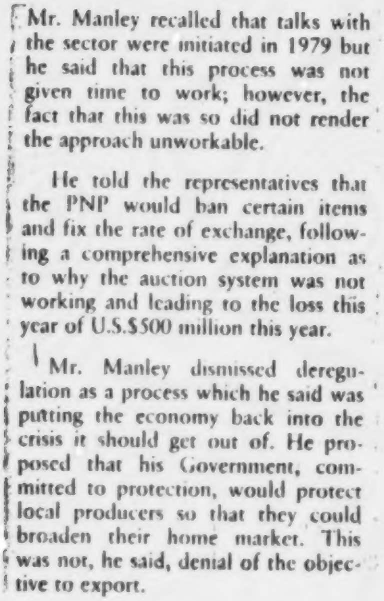
In a frank talk to the group represented by the heads of the Jamaica Manufacturers Association, the Jamaica Exporters Association and the Private Sector Organisation of Jamaica, Mr. Manley sought to allay their fears on the question of relations with the United States of America.

"We don't intend to get into the mood of hostility and misunderstanding that marked relations with the U.S.," he said, referring to the previous PNP administrationwhen, according to him, "pure rhetoric" characterised relations with the sector.

He assured the group that he and other officers of the Party had been visiting Washington frequently, holding meetings with Secretary of State George Shultz and other key members of the State Department.

Mr. Manley hammered home his theme of dialogue with the sector in all areas of the economy as he said: "We don't regard the policy as written in tablets of stone." Another PNP Government would be open to suggestions which fit into the overall conceptual frameworkof the policies.

Dealing with the proposal for the setting up of a National Planning Council (including the private sector, Government and the Civil Service),



Mr. Manley recalled that talks with the sector were initiated in 1979 but he said that this process was not given time to work; however, the fact that this was so did not render the approach unworkable.

He told the representatives that the PNP would ban certain items and fix the rate of exchange, following a comprehensive explanation as to why the auction system was not working and leading to the loss this year of U.S.$500 million this year.

Mr. Manley dismissed deregulation as a process which he said was putting the economy back into the crisis it should get out of. He proposed that his Government, committed to protection, would protect local producers so that they could broaden their home market. This was not, he said, denial of the objective to export.

The PNP would also selectively ease credit; manage the interest rates and restore Caricom trade which was an important tool in the integration process.

Mr. Manley said that the structure of taxation was very negative in its impact on the producer.

Earlier in the presentation, he pledged the party's "unending and undying" commitment to the essential elements of a mixed economy; as well as its commitment to democracy and the rule of law.

Turning to the party's call for elections now he spoke of the intentions of the framers of the Constitution with respect to election every five years, declaring: "The PNP will not accept that Jamaica will be made to wait eight years. If it will have to be done, it will have to be done by brute force. I deeply regret it because nobody knows like me the problems of the country."

Mr. Manley's presentation was greeted with a prolonged applause in the almost filled Pegasus Ballroom.

Manley on Economy

FL122325 Bridgetown CANA in English 2151 GMT 12 Nov 85

[Text] Kingston, Nov 12--The socialist opposition leader Michael Manley predicted that Jamaica would record a trade deficit of over U.S.500 million dollars for 1985, saying this was indicative of the failure of the conservative government's economic policies.

In an address to business leaders last night, Manley said that Jamaica was coming to the end of the third year of the purist administration of monetarist economics in the Third World which, according to the theory, should have had the economy in shape with all the indicators pointing in the right direction.

But in 1985, after all the madness, we are going to show a negative trade balance of 500 million dollars, the leader of the People's National Party (PNP) said.

According to Central Bank figures at mid-year, Jamaica was showing a trade gap of U.S.289.012 million dollars, and the government's planning institute had warned that to meet IMF balance of payments targets would require either accelerated contraction of imports or a rapid increase in earnings. Many financial analysts here do not believe that either have happened to the required extent.

Manley stressed that between 1976-80, when he was prime minister, Jamaica had been able to keep its negative trade balance at an average 11 per cent a year. That was not a bad record for a non-oil exporting developing country, he said, bearing in mind the rapid increases in oil prices that was taking place.

At the same time, the country's foreign debt had grown to U.S.1.5 billion dollars, or 75 per cent of GDP, and was a source of serious worry for the administration.

But between 1981-84 under Seaga, he said, the negative trade balance had run at an average 70 per cent a year, and the resulting leakage of foreign exchange had caused the foreign debt to scurry to U.S.3.4 billion dollars.

About 50 per cent of the country's foreign exchange earnings was now being used to meet debt payments and 42 per cent of the fiscal budget was going towards finding that foreign exchange.

Government spokesmen often blame the serious contraction of the bauxite/alumina industry in the last few years as the main cause of the economic difficulties.

Manley, however, ascribed the difficulties mainly to the government's policy of deregulation, which has opened the Jamaican market wide to imports, and the failure of the demand management mechanisms of tight credit and unpredictable devaluations through a hard currency [word indistinct] system.

Confidence by the private sector had been sapped by a government that had all the rhetoric for the sector, he said.

The falling value of the local dollar had not led to any rapid expansion of exports because of the elasticity and structural limitations of the Jamaican economy. At the same time, the rising dollar cost for imports had put local manufacturers under pressure.

Manley promised that a new PNP government will give pragmatic protection to local manufacturers, but would attempt to curtail the bureaucratic entanglements of his previous administration.

To do this, the government would for a time put an outright ban on some products, place high tariffs of some luxuries and then a more manageable amount of imports under licenses.

The government would then fix an exchange rate and would have the courage to change it when necessary to ensure the maintenance of export competitivity.

It would also have a structured lifting of the credit squeeze to allow companies here to get back to the job of production.

The PNP leader conceded that there would be a measure of inflation from the policies, but said that this was a trade off from the present system where there was a cost push [as received] inflation in a stagnant economy with deep social consequences.

Manley also promised that a PNP government would seek to return Jamaica actively to the Caribbean Community (Caricom) market, on which he claimed the Edward Seaga government has turned its back.

Caricom was an extension of Jamaica's home market, he said, and to run away from the region was a tiresome betrayal of history which called toward integration.

The problem of the Caribbean, Manley said, was how to make the mini state work, and fundamental to this was the process of integration and deepening economic cooperation. He declared: That is the logic of history (and) that is the way we must go. Not to work for that, to me, is madness.

Seaga 'No' to Elections

FL251830 Bridgetown CANA in English 1738 GMT 25 Nov 85

[Text] Kingston, Nov 25--Prime Minister Edward Seaga has again ruled out a general election this year and says he will blame the opposition if the economy is harmed because of agitation for an early poll.

In the closing speech at a convention of his Jamaica Labour Party (JLP), Seaga threatened that if the opposition People's National Party (PNP) continued to press hard for an election, he would be minded to give them the government and then take to the streets to bring about their early collapse.

The PNP, currently well ahead in opinion polls, boycotted the last election two years ago because an old voters' list was used and agreed reforms were not implemented. It has called for elections before year-end.

Additionally, local government elections, twice postponed by Seaga, are due by year-end.

The electoral Advisory Committee, made up of members of both the JLP and the PNP and independent members, is currently working on boundaries for the reduced municipal seats.

We are not ready for elections yet, Seaga declared. When we are ready, we will call them.

In a reference to the opposition campaign, he said that should anything happen to the economy, he would place the blame squarely on the opposition.

Added Seaga: If they pressure us and make life unbearable...don't be surprised if I recommend to the Jamaica Labour Party--give them the government, we take to the streets and they will be back where they were in two years.

Seaga on Economic Reforms

FL251840 Bridgetown CANA in English 1706 GMT 25 Nov 85

[Text] Kingston, Nov 25--Prime Minister Edward Seaga has promised Jamaicans income tax and price reductions.

The tax reform package will cost the government between J180-200 million dollars (one J dollar:18 cents U.S.) in revenue, which Seaga said will be made up by catching previous tax dodgers and other new measures to be implemented over the next four months. Those who did not pay taxes will have to pay now, the prime minister declared.

Seaga made his promises last night at the closing of the annual conference of his ruling Jamaica Labour Party (JLP), which had endorsed the austerity policies of his five-year-old government.

The issue of taxes has been long on the agenda, and experts here have often argued that the bands for graduating payment were too narrow, making Jamaica the second most taxed country in the world after India.

The price reductions will result from the recent strengthening of the local dollar against the U.S. dollar. Seaga predicted a stabilising of the exchange rate, which had been in a rapid nose-dive until a recent pullback.

Seaga said that a report from a tax reform committee will be tabled in Parliament tomorrow to allow for debate and institution at the start of the new year.

He said that the reform package will go a long way toward satisfying the demands of groups such as teachers, nurses and the police, which had rejected government's 10 per cent wage increase offer. We expect that when they see these new rates, they will be to a large extent satisfied, the prime minister said.

Seaga defended the government's recent strong intervention in the parity-fixing foreign exchange auctions here to push the exchange rate for the U.S. dollar from the J6.40 dollars it had reached in October to the present J5.50 dollars.

He implied that he had had a fight with the IMF over the issue, but had eventually prevailed.

The difference is to learn to deal with the IMF and not run away, he said, in apparent reference to the former Manley government's 1980 break with the fund. Added Seaga: The people can now settle down with an exchange rate that is stable and can plan their future in a stable manner.

He said that during the period of the rapid fall of the Jamaican dollar, many products had been priced at the high end of the scale, which was no longer relevant now that it had been strengthened.

A meeting had been planned with merchants this week to discuss the rolling back of prices and I expect cooperation, Seaga said. If the prices are not right, I have a problem and they are going to have to roll back, he said.

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CSO: 3298/181

SEAGA DEFENDS MEDIA POLICY, RAPS GLEANER CAMPAIGN

FL261610 Bridgetown CANA in English 2057 GMT 25 Nov 85

[Text] Kingston, Nov 25--Accusing the GLEANER Newspaper Company of running a vulgar campaign against his new media policy, Jamaican Prime Minister Edward Seaga said the company would be granted a licence to operate a radio or television station "over my dead body."

THE GLEANER, which runs the lone daily newspaper here, has long been seeking a licence to enter the electronic media, but a recent media policy announced by Seaga precludes existing media organisations from launching radio and television services.

The GLEANER Company now wants to own 100 per cent of a radio station and 100 per cent of a T.V. station--"over my dead body," Seaga declared.

Under the policy, the government is leasing the AM service of the state-owned Jamaica Broadcasting Corporation (JBC), as well as the morning segment of JBC's television service. Three small regional radio stations owned by JBC are also to be leased.

However, in all the operations, the government will retain a 25-per cent share.

THE GLEANER has been very critical, in statements by its chairman, Oliver Clarke, editorial comment and a series of full-page statements, of the policy which it claims maintains a government stranglehold on the electronic media.

Seaga told a conference of his Jamaica Labour Party last night that THE GLEANER had been running a vicious and vulgar campaign against the government over the issue, but that he would not bow to threats.

THE GLEANER newspaper had given strong support to Seaga while he was in opposition, and had criticized the socialist policies of the former Michael Manley government.

Seaga said his media policy was to allow a wider spectrum of ownership of opinion-forming organs and not concentration in a few hands.

He said the GLEANER Company already--THE DAILY and SUNDAY GLEANER and several other publications, and that one man--(whom he did not name)--wanted to own everything.

[A typical full-page ad of the type criticized by Prime Minister Seaga appeared in THE SUNDAY GLEANER of 3 November, page 11. The text of the ad reads as follows:

Why This Hypocrisy?

The government's media policy statement declares!

"The objective here Mr. Speaker, is to ensure that in the national interest a wide variety of private views and opinions of Jamaicans may be published without the dominance of one or very few such views in controlling positions." Why this pretense when the government will be remaining in effective control of all of radio and television broadcasting and in this way ensuring that the views held by this or any government can be made dominant on radio and television at any time it chooses to do so? Why this blatant hypocrisy? Government Control of Radio and Television Encourages Political Abuse of Broadcasting!

[A Message in the Public Interest from The GLEANER Company Ltd.]

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CSO: 3298/182

SEAGA REPORTS TO PARLIAMENT ON STATE OF ECONOMY

Divestment Policy

Kingston THE DAILY GLEANER in English 4 Nov 85 p 10

[Text] The National Investment Bank of Jamaica is to be vested with the ownership of commercially operated public enterprises and will offer shares on an annual basis, to overcome the problem of divesting public enterprises whose value was too substantial for straight divestment.

This was stated by Prime Minister Edward Seaga Wednesday night in his statement to the House of Representatives on the economy after five year's of his leadership. Mr. Seaga said that there were many large-scale public enterprises, which were not on the list of 50 entities to be divested, which Government considered suitable for divestment, but the value of which was so substantial that straight divestment of ownership would either prove too much for local capital, or would prove to be a non-productive transfer of private capital to the public sector.

To overcome the problem, the NIBJ will be vested with the ownership of the commercially operated public enterprises and would offer shares in NIBJ on an annual basis, using convertible instruments so that those cautious investors could secure a return of interest on their investment at first, while deciding to convert to share onwership, later, if desired.

This would have several benefits, he said, including:

- Fresh capital would be raised annually on a co-ordinated basis for development of those enterprises;
- Sale of equity in regular amounts would ensure that divestment occurred in a gradual and orderly way, without upsetting the market;
- By selling shares in the NIBJ, rather than individual companies, the profitable and not-so-profitable enterprises were marketed at the same time;
- By marketing shares through NIBJ, or subsidiary groups, ownership would be spread through the population at large and not restricted to a small select group with available capital, as would be the case in direct sales.

He said that the policy, understandably, had not found favour with some interests and organizations who had anticipated that Government would have made profitable Government operations available to them for direct purchase, and It was expected that they would react publicly by condemning the more equitable approach which the Government had adopted.

"Government, to them, must take investment risks, and when the investments are proven profitable, divest to private ownership," he said.

However, such an approach defeated every objective of true entrepreneurship, which was the basis of the Government's ideological commitment; where investment takes risks for a reasonable return.

"Government's policy is to encourage risk-taking ventures, and that is why we pursue, in appropriate instances, joint ventures to share the risk during the initial stages of the investment. Government's policy is also to transfer ownership to the public when such ventures have proven themselves.

"In so doing, it is not the intention to reward financial interests who sit back and fail to share in the risk ventures expecting only to reap reward; rather, it is our policy to divest to the public through the Stock Exchange on as wide a basis as possible, where all may participate including the non-risk-takers. Hence, we exclude no one, nor do we include only some.

He said that the public could feel satisfied that the groupof entities to be transferred to the NIBJ were all being made profitable. Not because it was a prerequisite for divestment, but because each enterprise must be capable of generating resources sufficient to pay all operating costs, service debt and provide a significant portion of the financing required for their own capital development, from their own earnings as any other successful business was required to do.

In carrying out its policy of divestment, the Government had avoided the sale of major assets: "This is not a rigid position as there will be cases where it is not considered vital that the assets should remain in public ownership in the national interest. Hence, we have avoided the sale of hotels and large tracts of commercial land for agricultural and other purposes, preferring to lease these properties for private investment, while ensuring that the assets remain as a valuable bloc of resources, in the national interest.

"Commercial-size properties, for instance, are very scarce, and our policy is to lease rather than sell such land. This we have been successfully doing through a new commercial-type lease agreement which has proven acceptable to financial institutions.

"Soon this entire programme of leasing commercial-type land for agriculture will be complete, as we move into production of rice, corn, soya, fish, winter vegetables horticulture, dairy and beef production on a large scale.

"On the other hand, non-commercial type land is not scarce and is best cultivated in small parcels by small farmers. Our policy is to sell, rather than lease these parcels to small cultivators, as distinct from the policy of the last Government, which was to lease not sell, small lots of land to small farmers for agricultural purposes."

He said that 34,000 acres had been sold to small farmers, since implementation of the programme in 1982, and 40,000 acres were being processed for sale in keeping with government's policy of land distribution to landless farmers.

The programme of divestment or privatisation had been extended to include services performed by Government, hence the privisation of garbage collection in Kingston, which was working successfully.

Some 50 Government-owned assets had been or were being transferred to private sector operation by way of sale, lease or management.

They included hotels, industry, service, agricultural operations, mining, broadcasting and other entities.

"We have already completed one-third of this programme and are well advanced in transferring the remainder. All hotels, save one, had been leased to private operators and loss operations made profitable," he said.

The sugar estates owned by Government which will remain in sugar are being managed by a private company on Government's behalf and have already begun to show a turn-around.

Other ventures, likewise, such as the loss operations of the 30,000-acre Midland property, the island's largest cattle operation, had been divested and had ceased to be a drain on the Government's resources, as was the case with urban transportation.

Import Controls

Kingston THE DAILY GLEANER in English 4 Nov 85 p 11

[Text] "The Government is determined that the protection offered by increased import duties should be at a level which would protect the local producer from cheap imports dumped on the world market at artificially low prices, as well as protect consumers from low quality local production and unreasonably high prices.

This was stated by the Prime Minister Edward Seaga in his statement to Parliament on the economy on Wednesday night.

Dealing with the issue of import controls, Mr. Seaga said that prior to the introduction of decontrol, the mechanism for controlling imports left decisions concerning the types and levels of imports in the hands of persons who were neither producers nor traders, but members of the bureaucracy.

It was hardly surprising in those circumstances that decisions were made which did not affect an allocation of resources which could bring the best returns to the economy.

Today, all that was thankfully behind, with responsibility restricted to the remaining essential items still under import control, by comparison with the over 5,000 traded items which had been freed from import control.

"Mindful, however, of the need for local production to receive a justifiable measure of protection from imported goods, we imposed an additional stamp duty of 30% last year on all consumer goods, 20% on capital goods and 10% on raw materials.

"At the time of announcement I indicated that this step would be taken on completion of the study of comparative advantage and incentives. We had to proceed in advance of this study because of the need for additional revenue for the current financial year. On completion of the study, adjustment of tarrif rates will be made to afford local producers a competitive edge over importers.

"In the interest of the consumer, a balance has to be maintained so as to ensure that the local producer does not, as has been the case in several instances in the past, take unfair advantage of a captive domestic market.

"We have all, at one time or another, been faced with the shoddy production arising from an approach on the part of certain producers who, knowing they have a captive market, have upgraded neither their technology nor their equipment to produce better quality goods at better prices.

"Now that Government's policy has given the consumer a choice, many have taken steps to make their products competitive-there are still a few who have not. These few cling to hope that the threat of closure of operations will force the Government to revert to the days of unreasonable level of protection, albeit at the expense of of the consumer.

"The Government recognises that a small number of backward producers may cease operations because of the approach which they have adopted, but equally this makes room for others to step in to produce the same products on a basis of better quality at more competitive prices."

The fact that relatively few complaints had been received since the imposition of the additional stamp duties in June, was in itself an indication that the balance had been achieved in the great majority of cases. Such complaints as had been received were being dealt with.

"All the agricultural products which needed tariff protection have been assigned both "shadow" prices as well as higher tariffs. Manufactured goods requiring this treatment have been investigated and the results are shortly to be implemented. However, the compartive advantage and incentives study will be completed in a few weeks and at that time adjustments may be required to reflect the findings of this study.

"When that is done, we will have completed the exercise of replacing the quota and licensing system of import controls with a system which uses our scarce foreign exchange resources more efficiently, and still allows a balanced measure of protection to both producer and consumer.

He said that the proof of the better value for money which the system offered was to be seen from the fact that although the level of imports in 1980/81 was U.S.$1201 million, as compared to a much reduced 1985/86 level of U.S.$1098million, the long list of shortages which plagued the 1980 period did not exist today; because, the decision on what imports were really necessary was made by the forces of the market place which traded in those imports, rather than by the bureaucracy of Government, which did not.

"We must, therefore, beware of those who today use the complaint of the few inefficient producers who cannot adapt to the production of goods at reasonable prices and quality to give support to the return of the licensing system, as a means of protecting the few at the expense of the great majority.

"To seek a return to the import quota and licensing system is to return to inefficient use of our scarce foreign exchange and to corruption."

Carl Stone Assessment

Kingston THE DAILY GLEANER in English 4 Nov 85 p 8

[Text] AS THE curtains have come down on five years of Mr. Seaga's administration both the JLP and the PNP have attempted in different ways to assess the failures and successes of the Seaga administration. Both assessments are necessarily self-serving. It is therefore incumbent on those of us who are less blinded by partisan biases to make our own assessment.

Seaga's administration got off to a running start in 1981 by restoring growth to an economy that had been consistently sliding backwards under Manley's leadership in the 1970's.

Massive inflows of loans (following the endorsement of Seaga by Reagan), the promise of the CBI opening to the U.S. economy to drive export expansion, hopes for large inflows of foreign investment and a large increase in bauxite-alumina earnings and a new upbeat sense of confidence by the local private sector all boosted Mr. Seaga's confidence that he could turn Jamaica into a showpiece of successful Third World capitalist management. By the end of 1981 Mr. Seaga was beating his chest at how easy it was to install good capitalist management in place of socialist mismanagement. The dramatic fall in the rate of inflation in 1981-82 was trumpeted worldwide as a kind of economic miracle that was seen as just the beginning of many more such miracle policies which Mr. Reagan's protege would unfold from his financial wizardry.

But Mr. Seaga got drunk on these early successes to a point where he lost touch with reality. The adverse trends evident to any objective observer were brushed aside as unimportant while mountains of trivial doctored statistics were marshalled to convince us all that an economic miracle was in fact unfolding in Jamaica. Before the end of 1982 it was clear to any objective observer that Mr. Seaga's and his policies were heading for a fall because his analysis of the problems was much too superficial, his prescriptions were not carefully thought out and his excessive optimism raised expectations that would be shattered when the reality of economic roadblocks emerged.

Last laugh

Long after it was clear to any reader of international journals that the world recession was about to savage the international metals market and throw bauxite-dependent economies like ours into severe problems, Mr. Seaga was predicting massive increases in bauxite export earnings and making fun of the PNP's efforts to sell the stuff to the Soviet Union in the 1970's. But the PNP was to have the last laugh as when the bottom fell out of international demand for bauxite Mr. Seaga's government held on to that Russian bauxite deal as if it were life itself.

Mr. Seaga promised cheap prices, adequate supplies and imports, growth and accelerated rates of increase in employment. How did he hope to do this?

Loans and external financial supports restored our credit-worthiness with overseas markets. As a result imports grew rapidly as the supermarket and other shelves (empty from the 1970's) were quickly filled with a bewildering variety of imported goods.

Export promotion through the CBI was supposed to increase our earnings enough to enable us to afford this higher level of imports. As Mr. Seaga insisted, if the country wanted economic growth we had to provide imported consumer goodies to motivate greater work effort.

Price revolution

Opening up the economy to the free and unfettered inflow of imports was designed to keep prices low and ensure adequate supplies. A virtual price revolution was promised as one of the fruits of the open economy strategy. We were told daily that many prices might even go down as the strategy of increasing supplies forced market prices downwards.

Foreign investment was expected to refuel our slow economic engine sufficient to move into high gear.

Mr. Seaga boasted constantly that he would not devalue the dollar as there was no need to. Indeed, the strategy of keeping prices down demanded a stable rate of exchange or at least one that avoided increasing the cost of the U.S. dollar. He kept that promise right up to the end of October, 1983 by which time IMF pressure and the collapse of bauxite earnings forced him to devalue.

Underlying Mr. Seaga's policies was a notion that if he could use over-supply through heightened import levels to hold down prices, he would consolidate support among Jamaican consumers who were shattered by the inflationary flights, shortages and black markets of the 1970's. Satisfied consumers would mean a sustained majority, popular political support which would give him time to get his recovery policies working and put Mr. Manley and the PNP opposition to flight.

Before the tiny PNP opposition left the parliament in 1983 in the ill-fated uncontested 1983 election, they had warned Mr. Seaga about the errors of some of his policies and predicted that the result would be economic chaos.

Mr. Mullings in particular spared no words in pointing out some of the obvious contradictions of Mr. Seaga's policies.

Imports were growing by leaps and bounds but export earnings were not, with the result that the trade deficit was getting to alarmingly high proportions. Increased imports threatened both farmers and manufacturers with serious implications for loss of jobs. The abandonment of PNP self-reliance policies in agriculture was criticised as short-sighted and foolish.

Deregulation of the economy was seen by the PNP as an invitation for the rich to exploit the poor and for resources to be used in activity that would not maximise national development. The rich were getting richer and the poor poorer.

The PNP criticisms echoed sentiments that by 1985 became part of the popular view of Mr. Seaga's policy failures although they were initially brushed aside by him as misconceived.

The collapse of bauxite earnings forced Mr. Seaga to abandon his growth strategies and to push austerity measures to cool down the economy and adjust it to a lower level of imports and public spending. The harshness of these policies (massive redundancies, credit squeeze, devaluations, cut-backs in social services etc.) sent adverse shock waves throughout the economy and generated a ground swell of hostility to Mr. Seaga from consumers, workers, housewives, entreprenuers, trade unions, farmers and students as survival pressures miltiplied overnight.

Mr. Seaga had clearly under-estimated the depth of the problems facing the economy and exaggerated the ease with which solutions could be found. As a result his credibility has been shot in every sector of the society. Having gone down the wicket with adopted World Bank and IMF policy strategies he now seeks to extricate himself by pleading so long after the event that the IMF medicine was too harsh.

Where was his sense of what was happening to the country when the people were writhing in pain from austerity pressures? His wife was obviously dead right when she suggested recently that Eddie really does not understand these kinds of issues.

Two sides

There is both a positive and a negative side to Mr. Seaga's economic policy leadership. He has not flinched from taking unpopular action when circumstances demand and he has taken the blame fully in the hope that time and history will prove him right. That kind of toughness is to be admired. His sense that export growth and diversification have to be a major part of our economic solution cannot be faulted.

But he promised too much, has not listened to heads much wiser than his and has pretended to be in control when in fact he is not.

The problems caused by the loss of bauxite earnings were multiplied by the misguided, free market consumerist policies Seaga was pushing from 1981. As a result he cannot escape blame for having to come down so heavily on the austerity "breaks". What I must say on his behalf is that he has been flexible enough to change policy directions when circumstances changed and to resume policies he had earlier discarded (such as PNP self-reliance food policies). The trouble with him is that his stubborness and false arrogance that he is the only wise head in the country cause him to see the need to close the gate long after the horse has bolted.

SEAGA: FOREIGN TEAM TO ASSESS STRUCTURAL ADJUSTMENT

Kingston THE DAILY GLEANER in English 11 Nov 85 pp 1, 3

[Text]

JAMAICA'S STRUCTURAL ADJUSTMENT PROGRAMME is to be reviewed with "fresh eyes" by a team from the International Monetary Fund (IMF), USAID and the World Bank, following a technical breach of the September IMF test and a request by Prime Minister Edward Seaga for the Fund to "soften the pace and character" of Jamaica's economic programme.

Prime Minister Seaga made the announcement about the visit of the team to Jamaica at the North West St. Elizabeth Trust Fund's 1st Anniversary Dinner at the Terra Nova Hotel in Kingston, Saturday night.

A release from Jamaica House last night mentioning the team from the three donor agencies did not say when the team would visit. Mr. Seaga who said the team would come at his invitation, told the gathering that he had requested them to come not like those who came from time to time in routine manner; but to come as one team so that there wouldn't be different positions of teams from each organization.

He said the team's review would be a weather vane for those countries which had gone the way of Jamaica in trying to restructure their economies to achieve growth and a beacon for those countries which were being encouraged to go that way.

The release from Jamaica House said: "The Managing Director of the IMF (International Monetary Fund), Mr. Jacques de La Rosiere, has agreed to a joint mission proposed by Prime Minister Edward Seaga, comprising representatives of the IMF, World Bank and United States Agency for International Development (USAID) to meet in Jamaica to review the Government's adjustment programmes as a special case."

"The Prime Minister in outlining the Government's policies and programmes to effect economic recovery despite the rapidly declining bauxite sector, said he was informed two days ago by the Managing Director of the IMF of his agreement to Mr. Seaga's request for the three lending institutions to meet as an integrated team to review the Jamaican case with "fresh eyes."

"This follows closely on his proposals made at the recent World Bank/IMF meeting in Seoul, Republic of Korea, for a more "humane pace of adjustment" and that countries be looked at on a case-by-case basis as what was required for one country differed from another because of difference in ideologies, policies and resources.

"In Jamaica's case, he instanced, despite the gains in tourism, agriculture and manufacturing, the bauxite/alumina industry was declining at a faster rate.

"This was also reinforced in a letter sent by him, Mr. Seaga said, to the managing director of the IMF outlining all that Jamaica had already done in keeping with the policy requirements now being proposed as the strategy to be pursued by debtor countries throughout the world to stabilise, restructure and deregulate their economies.

"The Prime Minister said he also pointed out the problems of the continuing decline of the bauxite sector against the background of international market forces 'beyond our control.'

"He pointed out that Jamaica needed to be loooked at with "fresh eyes" and made the further suggestion that a joint effort between the IMF, World Bank and USAID be made as each of these organisations have a different emphasis on policy.

"It is the first time, the Prime Minister said, that such an integrated approach would be undertaken in any country of the world.

"Prime Minister Seaga observed that the favourable response to sending a proposed 'tri-partite team' was an indication that the comments and proposals so far made were worthy of attention.

"Mr. Seaga stressed, however, that while the team was reviewing Jamaica's case there would still be a requirement for successful performance and the achievement of targets set under the agreement between the Government and the IMF." and did not mean a relaxation in performance targets.

On his return from an overseas visit, including the IMF meeting in South Korea, in October, the Prime Minister said there had been a "technical breach" of the IMF test for September because funds from USAID which should have come in by the end of Septmber had not arrived because of delays caused by the end of the US Fiscal year. The Government was seeking a waiver, as it had done previously he said.

On October 30, the 5th anniversary of the JLP's 1980 General Election victory, Mr. Seaga, in an address from Parliament carried live on radio and television, said: "Discussions are now proceeding between the Government and the IMF with a view to softening the pace and character of the Jamaican programme bearing in mind the particular misfortune which we have experienced" with the drastic reduction in bauxite/alumina revenues. He said then that the funds from the USAID which had been delayed had since been received.

The North West St. Elizabeth Trust Fund is to assist the constituency programmes of the Minister of Local Government the Hon. Neville Lewis.

The dinner was attended by a wide-cross section of business people and investors in St. Elizabeth.

/8309
CSO: 3298/180

BUSINESSMEN DISCUSS JAMAICAN DOLLAR; PARITY MAINTAINED

Kingston THE DAILY GLEANER in English 7 Nov 85 p 1

[Text] Representatives of the business community are cautious about the recent increase in the value of the Jamaican dollar and have questioned where the pool of foreign exchange in the system had come from.

On Tuesday the Jamaican dollar went up for the third time over a three-week period against the U.S. dollar as the foreign exchange auction cleared at J$5.80, up 15¢.

A member of the Jamaica Exporters Association (JEA) told the GLEANER yesterday that although he felt that "it was good to see that it (the value of the dollar) had increased...the auction system is really being manipulated...I am frightened for business people."

"Where is the foreign exchange coming from all of a sudden at a time when the tourist sector, our greatest foreign exchange earner is in the off-season? Or is it that we have earned more foreign exchange than we are told about?" he asked.

He felt that the fluctuations in the value of the dollar showed that "the auction system was really being manipulated."

Deputy Governor of the Bank of Jamaica, Mr. Asgar Ally, at a seminar put on by the Jamaica Institute of Political Education at the Government Conference Centre yesterday said that there was nothing unusual about the $8 million that was put in the auction system and pointed out that there were flows into the system from loans earnings and service payments. He said that the total amount of money went into the pool from which the auction received its supply.

But he said that he could not say how much money was flowing, when and from what source.

He was responding to questions as to "where did the money come from? Did the Government have it and allow the exchange rate to slide to $6.40."

When asked repeatedly about the source of the $8 million inflow in the auction system and if the Government had had the money all along and allowed the dollar to slide to $6.40, he replied that "at the time of determining the pool obviously the resources were there."

Mr. Donald Lyn, General Manager of the Jamaica Chamber of Commerce who also spoke with the GLEANER yesterday said that the present trend was a good one and expressed the hope that the value of the dollar would stabilize at an even lower rate.

"The majority of traders are going to watch and see...all are hoping that by next month we will see some element of stabilty in it," he said.

"Information on the amount of currency is never available...we don't know what the inflows and outflows of the currency is...," "the problem lies in the fact that we have never before dealt with a floating dollar and therefore don't have the machinery to deal with it."

The Private Sector Organization of Jamaica when contacted was in the process of evaluating their position on the situation and was unable to comment, a spokesman from that organization said.

The amount available for today's auction is US$3.5 million.

[Bridgetown CANA in English at 1504 GMT on 22 November reported: "The Jamaica dollar maintained its parity at J5.50 dollars for one U.S. at yesterday's foreign exchange allocation and parity-fixing auction run by the Central Bank. It was the second straight auction that the dollar had cleared firm, which finance sources say probably indicates that the government was about satisfied with the exchange rate. The administration had over six auctions intervened to push back the rate, after a four week period of rapid declines during which the exchange rate fell to J6.40 dollars for one U.S. There was still a level of extra government support for the auction, however, the analysts claimed, citing the fact that the money put up for bidding was still marginally above normal without inflows from the winter tourist season not yet on stream."]

/8309
CSO: 3298/184

PNP OFFICIAL KILLED IN ROBBERY, HIGH-LEVEL PROBE BEGUN

Kingston THE DAILY GLEANER in English 12 Nov 85 pp 1, 3

[Excerpts] Mr. Kenneth Witter, 38, insurance broker and PNP constituency representative of south-east St. Catherine, was shot and killed by gunmen at his home at Tara Crescent, in Edgewater, St. Catherine, early yesterday morning.

The killing drew shock reaction from the minister of national security, the Hon. Winston Spaulding; the Police Commissioner, Mr. Herman Ricketts, and the JLP M.P. for the area, Hon. Kingsley Sangster, and PNP leader Mr. Michael Manley.

Mr. Manley said that the news of Mr. Witter's death had come as a "deep shock" to the party and himself.

Assistant Commissioner of Police, Mr. Roy Green, from CIB Headquarters, is heading investigations into the killing.

PIC further reported that as a result of the killing, the Minister of National Security, Mr. Spaulding and Commissioner of Police Mr. Ricketts have put top criminal investigators on the case. They appealed to the public, those who have information on the killing, to give it in confidence to the CIB Headquarters, Kingston.

In a statement yesterday, Mr. Manley said that the killing was a "terrible act" which "has such disturbing implications for the country."

He said that he had recognised in Mr. Witter not only ministerial talent but also one of the country's future political leaders.

"He was young and dynamic, and a hard worker at the constituency level where he had organised and led a team of dedicated colleagues to support him and the party, not merely to win the next elections, but to provide leadership to Jamaica as the government of the country," Mr. Manley stated.

Mr. Witter was chairman of the PNP's Finance and Fund Raising Commission since 1981, and a member of the party's Founders' Day Committee. Mr. Manley and other officers of the party visited Mr. Witter's home and expressed condolences to his family and constituency colleagues.

/8309
CSO: 3298/184

BRIEFS

MINISTER SAYS AMERICANS FUEL LOCAL DRUGS TRADE--Public Utilities and Transport Minister the Hon. Pearnel Charles has charged Americans with fuelling the drug trafficking in Jamaica. "I have information of Americans going into rural districts here, and giving out large sums of money to their contracts to go and plant ganja for them" the minister said during a question-and-answer session which formed part of the Shipping Association of Jamaica seminar at the Jamaica Pegasus Hotel, on Friday, October 31. He condemned the Americans for perpetuating the trade, to the extent that they provided the financing of the ganja projects, the market, and in some cases the transport for the ganja. Mr. Charles expressed alarm at the fact that "60 per cent of the marijuana traffickers are also dealers in cocaine...I know this as a fact," Mr. Charles said, and he viewed it as a dangerous development of the drug network. The minister also spoke about "massive connections" in the drug pushers' ring, and again expressed surprise that the use of hard drugs had now hit the island's middle class. He cited the case of "middle class parties" where he said the drugs were used heavily. Condemning drug pushers for destroying the minds of the youth, and corrupting the society, Mr. Charles swore that he was personally willing to go to prison for any drug pusher if he got his children involved in the use of drugs. On a lighter note, the minister dismissed political rumours which he said tarnished his good name whenever a "ganja airplane or shipment" escaped the watchful eyes of the security forces. [Text] [Kingston THE DAILY GLEANER in English 9 Nov 85 p 3] /8309

HONDURAN POACHING--Forty-six Honduran fishermen allegedly poaching in Jamaican territorial waters last weekend were held by the Jamaican Coast Guard. Their boat was intercepted and seized by the Coast Guard on patrol, about ten nautical miles north east of Pedro Banks on Saturday around 10 a.m. The PIC said the captain, Ernest Hill, and the crewmen were arrested and charged. They are to appear in court this week. [Text] [Kingston THE DAILY GLEANER in English 12 Nov 85 p 1] /8309

PARISH STAFF CUTS--St. Ann's Bay, Nov. 10--Approximately 192 of the present staff of the St. Ann Parish Council are expected to be made redundant by the end of this month. Reports reaching the GLEANER are that employees of the St. Ann Parish Council were notified of this latest staff cut by Council Secretary Mr. Clifton Osbourne during a special meeting on Friday. It was also reported that Mr. Osbourne told the workers that only 18 of the present staff of approximately 210 employees will not be affected by this latest redundancy exercise. Already 407 employees of the St. Ann Parish Council have been made redundant since January as part of government's programme of divestment of Local Government services. Of the amount 362 had their posts made vacant, 37 were asked to retire on the grounds that they have reached retirement age and eight had reached the limit of the retirement age. Meanwhile, employees of the St. Ann Parish Council are reportedly becoming restive following the news of this latest staff cut. [Excerpts] [Kingston THE DAILY GLEANER in English 11 Nov 85 pp 1, 3] /8309

EDUCATION CUTBACKS--The Ministry of Education has closed its five regional education offices and is to effect cuts in the island's tertiary educational institutions because of the slashing of $73 million from the ministry's budget. But Minister of Education Dr. Mavis Gilmour yesterday declined to give any details, saying that the decision was to be made by Cabinet. Speaking at a special annual general meeting of the Corporate Area Sixth Form Association at St. Andrew High School, Dr. Gilmour said the tertiary cuts would take place before the end of the year, although specific decisions regarding the cuts had not yet been made. Dr. Gilmour told the GLEANER she did not know where the cuts would come yet as the recommendations had to go to Cabinet; and she did not know the extent of the cuts. [Excerpt] [Kingston THE DAILY GLEANER in English 2 Nov 85 p 1] /8309

HYDROELECTRIC PLANT--Construction on a hydroelectric plant estimated to cost approximately $2.6 million, to be located on Serge Island, St. Thomas, is to begin this month. Plans for the project were discussed between the minister of public service, the Hon. Errol Anderson, MP for Western St. Thomas, where the plant is to be situated, Mr. Bill Saunders, managing director of the Petroleum Corporation of Jamaica (PCJ), Mr. Mladen Horvat, construction manager of Barber Hydraulic Turbine Inc., and Councillor Dudley Barclay, deputy mayor of Morant Bay at the minister's office in New Kingston last week. The project is being entirely funded by the Canadian Government. [Text] [Kingston THE SUNDAY GLEANER in English 10 Nov 85 p 1] /8309

CANADIAN GRANT--Kingston, Oct 29--Canada is providing Jamaica with an additional Can 4 million dollar grant for the Caribbean island to purchase Ottawa's fish products, the government here announced today. A memorandum of understanding to this effect was signed today by Prime Minister Edward Seaga and Canadian High Commissioner to Jamaica Robert Woolham, a government statement said. The grant is in addition to a Can 13 million dollar agreement for similar use, signed earlier this year. Seaga said the new funds which were being provided under exceptional circumstances followed recent talks between himself and Canadian Prime Minister Brian Mulroney. The funds, he added, must be disbursed by the end of March next year. The programme is to be administered by the state-owned Jamaica Commodity Trading Company, which is responsible for the importation, pricing and release of some basic food items on the local market. [Excerpts] [Bridgetown CANA in English 2143 GMT 29 Oct 85 FL] /8309

CSO: 3298/185

IDEOLOGICAL ORIENTATION OF SONORA CABINET CALLED ULTRARIGHT

Mexico City EXCELSIOR in Spanish 3 Oct 85 pp 4-A, 24-A, 31-A

[From "Political Fronts" Column, by Guillermo C. Zetina]

[Text] Key posts in the cabinet of new Sonora Governor Rodolfo Felix Valdes reflect the influence of ultrarightist sectors such as the Monterrey Group, the Institute of Upper Company Management (IPADE) and even the Opus Dei. They also show the influence of regional business groups that support the new PAN [National Action Party], such as the Valenzuelas, who were said to have "laundered" dollars through their since expropriated bank.

The list of officials who have never been in a PRI office is headed by Jose Antonio Arce Caballero, the private secretary of Felix Valdes. Arce Caballero has ties to the Valenzuela group, is a member of Opus Dei and is also a former student at IPADE, which is Opus Dei's academic arm. The religious organization has deep roots in Sonora.

The new secretary of industrial development is Horacio Rubio Salcido, a graduate of the Tecnologico de Monterrey. He has lengthy experience in business organizations, has been president of the Business Center of Northern Sonora, and is linked to the Valenzuela group and to the Mazons, who are relatives of Felix Valdes's opponent, Adalberto Rosas Lopez.

The secretary of the state comptroller's office, Jorge Castro Estrada, is also a graduate of IPADE. His resume mentions only that he was a private business consultant and that his sole government post was as interim comptroller of the subway system in Mexico City. The secretary of planning and development, Humberto Valdez Ruy Sanchez, is a nephew of Felix Valdes and a graduate of the Tecnologico de Monterrey; in his defense, however, we should mention that he was appointed director of the state CEPES [Center for Political, Economic and Social Studies] during his uncle's campaign.

The state's treasurer is Gustavo Astiazaran Rosas, another relative of the governor's and also a graduate of the Tecnologico de Monterrey. He is a prominent private businessman, running an accounting firm called "Astiazaran Rosas and Company," which has a partnership with "Toiche Rosas International" and "Galaz, Yamazaki and Company." His connection with the ruling party is that he managed several properties belonging to the family of former President Abelardo L. Rodriguez in Tijuana. He is a member of the loan committees at Bancomer, Unibanco and Banco del Atlantico (the expropriated bank of the Valenzuelas and Abedrops) and owns a network of radio stations.

8743
CSO: 3248/58

CHIHUAHUA CANDIDATES; VELAZQUEZ' WORRIES; LEFTIST UNITY

Mexico City EXCELSIOR in Spanish 4 Nov 85 pp 4-A, 28-A

[From "Political Fronts" column by Humberto Aranda]

[Text] Yesterday, in Chihuahua, Guillermo Prieto Lujan, state leader of the National Action Party [PAN], announced that, during the course of these 2 weeks, his party would announce the name of its precandidate for the governorship.

Although the PAN leader made no mention of it, there is certainty in that state that the blue and white party's candidate will emerge from the following list of three: Francisco Barrio Terrazas, mayor of Ciudad Juarez; Luis H. Alvarez, mayor of Chihuahua; and Guillermo Lujan Pena, former candidate for deputy from the seventh district, who represents the "neo-Panistas" in that PAN internal battle.

Correspondent Alejandro Irigoyen reports that the advanced state of PAN's preparations to start the contest for the Chihuahua governorship could hasten the nomination of PRI's [Institutional Revolutionary Party] candidate. In that party, the only ones mentioned as being viable for battling PAN are the director of CONASUPO [National Company for Basic Commodities], Jose Ernesto Costemalle, and Federal Deputy Fernando Baeza Melendez.

Yesterday, PAN representative Prieto Lujan informed correspondent Irigoyen that, on 10 November, the probing among his party's rank and file as to who is to be the precandidate will end, after which the date of the convention from which PAN's candidate for the governorship will officially come is to be set.

Don Fidel's Worry

Deputy Jorge Doroteo Zapata, leader of CTM [Confederation of Mexican Workers] in that state, commented yesterday that Fidel Velazquez is very worried about the situation in Chihuahua "since the setbacks that PRI has suffered," announcing that the top-ranking CTM leader would leave on 17 November to preside over a series of working sessions.

Zapata told correspondent Alejandro Irigoyen that the purpose of Fidel Velazquez' visit is to promote the working sector's political participation, as well as to close ranks around PRI during the elections for the change of governor next year.

Deputy Zapata noted that, in the state capital, Velazquez will preside over a special state convention, attended by all the state, regional and local leaders, and will also give lectures to guide the workers "from the historical, philosophical, social and political standpoint."

The Crisis Unites the Left

For the first time in a long while, the left appears to be united by common views regarding economic policy.

After the intense disputes between PSUM [Unified Socialist Party of Mexico] and PST [Socialist Workers Party] during the last elections for federal deputies, the clashes between the former and PPS [Popular Socialist Party] during the same electoral period and other incidents which underscored the disunity, the left will be apparently showing a single front at the consultation which the Chamber of Deputies is opening this week in Baja California concerning the foreign debt.

According to their most recent statements, PSUM, PST, PPS, PRT [Revolutionary Workers Party] and other groups of that persuasion agree that Mexico should declare a moratorium on the payment of the debt, are opposed to our country's entry into GATT [General Agreements on Tariffs and Trade] and demand a reorientation of the government's economic policy.

Observers point out that PPS, whose policy has always been one of support for the governments during the past 6 years, has become one of the sharpest critics of the policy pursued during the last 6 years by those in charge of the country's finances and economy.

2909
CSO: 3248/73

PRI INTERNAL DEMOCRATIZATION ENDORSED BY LUGO VERDUZCO

Mexico City EXCELSIOR in Spanish 30 Oct 85 pp 4-A, 28-A, 29-A

[From "Political Fronts" column by Humberto Aranda]

[Text] The direct consultation of the rank and file for the designation of candidates for municipal mayors is a procedure which, overcoming inertia, fear and resistance, has become widespread, and the intensification of PRI's [Institutional Revolutionary Party] internal democracy is an irreversible process.

This statement was made yesterday by Adolfo Lugo Verduzco, chairman of PRI's National Executive Committee, upon swearing in his party's 56 candidates for mayor in San Luis Potosi.

He remarked: "Our concept of democracy is active," claiming that, "Despite difficulties, obstacles, pressure and lack of understanding, the governments that have emerged from PRI's ranks have managed to maintain and enhance the democratizing process in national life."

At a ceremony which took place in the San Luis Potosi capital, Lugo Verduzco added that, at the order of the PRI members at its 12th National Assembly, "our party assumed the commitment to intensify its internal democracy, in complete consistency with President Miguel de la Madrid's intention of progressing with the society's total democratization."

He said that, in fulfillment of this purpose, PRI has subjected itself, without dogmatism, to a revision of its political procedures and practices, with a great willingness to improve attitudes and behavior, in order to effectively affirm its doctrinal principles in the realm of the social reality in the country's different federative states.

Stressing that the intensification of PRI's internal democracy is an irreversible process, he emphasized that, "This means committing itself to the principles and rules of political activity which make the action of internal forces possible without harming the party's basic unity."

He underscored the fact that attacks against internal unity and democracy, based on factional interests or inability to heed the fundamental principles and rules are tantamount to attacking the party; and he expressed the view that, "Those who cannot understand the unity and discipline that the contest requires would irrevocably put themselves outside the revolutionary ranks."

Lugo Verduzco noted that, with San Luis Potosi, there are now 13 states in which the PRI candidates for mayor's offices have resulted from consultations of the rank and file.

2909
CSO: 3248/73

FORMER BODYGUARD OF DURAZO MORENO SON ATTACKED

Mexico City EXCELSIOR in Spanish 30 Oct 85 p 43-A

[Text] A former bodyguard of Jesus Durazo (son of Arturo Durazo Moreno) was wounded by 18 bullets shot at him; but nevertheless, the physicians treating him managed to save his life.

Omar Gomez, aged 24, currently a volunteer first aid worker for the Red Cross, was hit by the bullets from submachine gunfire inflicted by six individuals who were riding in a Ford Maverick car without license plates.

The vehicle stopped briefly in front of Omar, who was conversing with Jose Garcia Mota, one of the Red Cross ambulance heads; and just then the 18 shots were heard.

Before activating their weapons, the attackers shouted: "Omar, you know too much!" and began shooting at the first aid worker.

Garcia Mota emerged unharmed, because he threw himself on the ground.

The culprits continued their driving, and no one was able to stop them.

Companions of the injured man immediately took him to the Red Cross facilities, where he underwent surgery. His physical condition is very critical.

The Red Cross Public Ministry agent said that, despite the injuries, the wounded individual is out of danger.

The incident took place at 1450 hours yesterday, at the corner of Benito Perez and Homero, in the Colonia [urban community] Polanco, opposite the facilities of the benevolent institution.

2909
CSO: 3248/73

MEXICO

RELEASE OF FAZ SANCHEZ FROM DETENTION STIRS ANGRY THREAT

Mexico City EXCELSIOR in Spanish 8 Oct 85 STATES section pp 1, 4

[Article by Jesus Victor Ferrer; for related reports, see JPRS LATIN AMERICAN REPORT of 10 Oct 85 (JPRS-LAM-85-086), pp 72-74]

[Excerpts] Mexicali, BCN, 7 Oct Senator Alfonso Garzon Santibanez, leader of the Independent Peasants Central Organization (CCI), today threatened to stage a protest before the Office of the Attorney General of the Republic and the official residence of Los Pinos in Mexico City over the release granted to the former national leader of the small landowners, Salomon Faz Sanchez.

He noted that Faz Sanchez is still accused of defrauding members of the CCI in Sonora of over 800 million pesos. "And if we are not heard by Attorney General Sergio Garcia Ramirez, we shall then go to the president himself," said the legislator at the regular assembly of the CCI here, speaking before Governor Xicotencatl Leyva.

The senator complained because the proper verifications had not yet been made in the case of Faz Sanchez, who was held prisoner for several weeks. Garzon Santibanez thus seconded the resolutions of delegates to the assembly, who demanded a vigorous reply from the CCI over the release of the former leader of the CNPP [National Confederation of Small Landowners].

Blow to Farmers

Hermosillo, Sonora, 7 Oct--The release of Faz Sanchez "is a blow to the farmer from the system," Rosalba Aguilar of the Independent Peasants Central Organization said here today.

He added that Sonora farmers "would not allow such absurdities" and would require that President Miguel de la Madrid revoke the ruling handed down last weekend in favor of Faz Sanchez and that consideration be given to the protests of the peasants he defrauded, as well as to the National Rural Credit Bank.

"Salomon only gave back 300 million pesos," he said.

He observed that farmers do not understand why they want to pigeonhole a matter already fully proved. This means that the government will only lose more confidence, he said.

He demanded that the state government, headed by Rodolfo Felix Valdes, study the problem thoroughly so that it may help the farmers "and support us or tell us that we are wrong."

The leaders maintained that Salomon Faz Sanchez "is the intellectual author of two homicides committed in Caborca." The victims were Rafael Munoz Espinosa and Antonio Osuna Betancourt, who had previously been kidnapped.

He said that both the Office of the Attorney General of the Republic and that of the state have records in their hands containing statements implicating Salomon Faz Sanchez as "the intellectual author of the double homicide."

In Caborca, he said, there is unrest because justice has not been done and he added that Reynaldo Solorio Leon, "the actual author of the homicides," has disappeared.

11,464
CSO: 3248/33

GUERRERO: ACNR POLITICAL GROUP TIED TO BANK ROBBERY

Mexico City EXCELSIOR in Spanish 12 Oct 85 pp 1, 4

[Article by EXCELSIOR correspondent Enrique Diaz Clavel; for related articles, see JPRS Latin America Report of 24 May 83 (JPRS 83533, No 2681), pp 48-51]

[Text] Acapulco, Guerrero, 11 Oct--Members of the Guerrero Autonomous University (UAG) and of the National Revolutionary Civic Association (ACNR) were the people who held up the Banco de Comercio and made off with more than 15 million pesos, Professor Javier Albavera Viveros, the only person arrested in connection with the robbery, has confirmed.

The head of the Federal Judicial Police (PJF) in the region, Jose Luis Larrazolo, said that Albavera Viveros pointed to Cristino Salas Salinas as the mastermind of the holdup. Just last August Salas Salinas was given amnesty by the state government. He said that he did not know the names of the other people involved in the robbery.

Albavera Viveros, who is also a civic leader in this port city, said that he decided to take part in the bank holdup because his relatives owed money to some silversmiths in Tasco and because the UAG owed him his salary.

PJF agents arrested the professor while he was driving a car that he had stolen from Aniceto Gomez, whom he had tied up and locked in the trunk, the police chief said.

In conclusion, Larrazolo said that the investigation has led to various areas around the port city, inasmuch as police are certain that these are the same individuals who held up the Banco Nacional de Mexico and the Banco Internacional, from which they made off with more than 100 million pesos.

8743
CSO: 3248/58

DRAFT 1986 FEDERAL BUDGET EXPENDITURES, REVENUES SURVEYED

PA011641 Mexico City EXCELSIOR in Spanish 16 Nov 85 pp 1-A, 23-A, 30-A

[Article by Gilberto D'Estrabau and Luis de Cervantes]

[Text] The total expenditures of the Federal Government in 1986 will reach 32.21 trillion pesos. Of this total, 15.39 trillion pesos correspond to federal spending, which will be 43.1 percent higher than in 1985, and 14.79 trillion pesos will go to service the debt, estimated to be 71.3 percent higher than 1985 debt payment estimates. [figures as published, sum of federal spending and debt service amounts does not equal total expenditures] The overall spending increase will be 56 percent. The parastate sector will have a budget of 9.33 trillion pesos, 45 percent higher than its budget for 1985.

Federal Government revenues are estimated at 14.11 trillion pesos, 8.14 trillion pesos of which will be obtained from taxes and 5.93 trillion pesos from sources other than taxes [figures as published]. Parastate enterprises are estimating a total revenue of 11.93 trillion pesos, according to the budget proposal sent by the president of the Republic to the Chamber of Deputies. Treasury Secretary Jesus Silva Herzog, and Planning and Budget Secretary Carlos Salinas de Gortari will explain the budget proposal to the Chamber of Deputies on 22 and 25 November, respectively.

One outstanding aspect of the budget proposal is that it includes a fund of 500 billion pesos for the reconstruction of the damages caused by the recent earthquakes. This fund proceeds from two sources of financing: 300 billion pesos from tax revenues and 200 billion pesos are part of a special credit program for housing development in the earthquake-affected areas and to support decentralization.

In stressing that public spending and the increasing need for resources and for reductions in spending are the cornerstones of economic policy, the president of the Republic indicated that the 1986 budget strategy seeks to harmonize appropriations with established priorities.

He said that spending policy will be directed toward the fulfillment of priorities in the national programs and to maintain socially-oriented spending, reconstruct the health and education services and infrastructure that were damaged by the earthquakes, and to increase public savings levels as a prerequisite to the resolution of the problems the country is confronting.

He added that special attention will be given to the efforts to introduce structural changes to increase efficiency in the public sector, reassign resources to top priority programs, and cancel or postpone spending in non-priority projects.

In the parastate sector, the budget allocations seek greater efficiency in the operation of parastate concerns, maximum utilization of their productive capacities, and an establishment of priorities in their expansion projects according to their social and economic implications.

The presidential document points out:

The basic priorities of the 1986 budget continue to be to ensure the supply of basic products to the population; to meet the demand of the priority social services of health, action [accion], securing justice, and housing; and to maintain an adequate development of the basic infrastructure, as well as strategic offerings in areas of direct state responsibility.

In this context, the draft budget was prepared under the following guidelines:

--To increase the levels of savings, productivity, and maintain the budget's accuracy and operation by making use of more of our own resources through permanent structures and programs.

--To favor investments and decrease expenses, particularly in the sectors linked to administrative tasks.

--Following the approval of the Planning and Budget Secretariat, new posts of work will be approved that are indispensable for increasing the direct services of education, health, armed forces, social security, and the handling of justice.

--Care will be taken so that current transfers will not be such a burden on the federal government. Transfers will only be granted if they are aimed at covering the deficits in operation that are the result of a policy of maintaining prices and tariffs below the costs of production, in the cases in which they are strictly of social benefit.

--To revise transfers to entities devoted to lower priority activities, or to propose options that generate their own resources with the purpose of decreasing to the strictly indispensable, the use of fiscal resources, in order to support public entities.

--To expand activities aimed at administrative decentralization, making the best use of the resources and the potential that other regions offer.

--To use the development agreements in order to strengthen social welfare activities and introduce the regional development and decentralization functions that might be performed with greater efficiency and more productivity at a local level.

Foreign Debt Servicing

HEADING	expected 1985	planned 1986	percent variation
Total	8,633.2	14,791.8	71.3
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interest	5,707.1	9,380.3	64.4
amortization	2,346.1	4,716.3	101.0
Fiscal obligations from prior accounting periods [ADEFAS]	580.0	695.0	19.8
FEDERAL GOVERNMENT	6,032.1	10,966.7	81.8
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interest	4,300.2	7,203.4	67.3
amortization	1,151.9	3,068.3	166.4
ADEFAS	580.0	695.0	19.8
ORGANIZATIONS AND ENTERPRISES WITHIN THE BUDGET	2,601.1	3,825.1	47.1
	---	---	
interest	1,406.9	2,176.9	54.7
amortization	1,194.2	1,648.2	38.0

Structural Changes in Public Finances

The report focuses on the need to reduce the fiscal deficit while protecting social welfare spending and opening space for growth in strategic and priority investment areas. This makes the most efficient and equitable use of available resources indispensable, thus the implementation of structural changes in public finances.

With regard to revenues, the report indicates that evasion and nonpayment of taxes will continue to be kept in check and the efficiency and fairness of the tax system will be improved. With regard to spending, the need has been seen to expedite reforms in the following areas: the reorganization of the industrial apparatus, the restructuring of the public sector, and the hightening of the efficiency and productivity of the government machinery.

The 1986 budgetary policy proposes a significant reduction in the public deficit. This implies an additional and considerable reduction in the real debt and maintaining the real foreign debt level. To do this, Mexico must assume a $4 billion debt to secure the transfer of real resources from abroad through greater contributions. At the same time this will allow a reduction in the pressure on the domestic interest rates.

After refinancing the foreign debt, the greatest margins for reducing the burden of the servicing of the debt in the short-term is in the reduction of the national debt, the servicing of which is very vulnerable to changes in the inflation rate.

The 1986 draft federal budget includes an appropriation of 14.79 trillion pesos to service the debt. Of this, 10.96 trillion pesos correspond to the Federal Government and 3.8251 trillion pesos to the parastate sector.

Reconstruction Program

In addition to human suffering, the September earthquakes entailed enormous property damage. It will take several years and the joint effort of the government and people to recover the financial losses it produced. However, it is not only a matter of restoring what was lost, but of gaining awareness of the need to implement radical and unpostponable structural changes made obvious by the vulnerability shown by the Valley of Mexico area. The reconstruction effort implies renewal; it calls for the redefinition of priorities, the intensification of the actions that were already underway, and the modification of others, always taking advantage of and promoting the participation of society and its enormous vitality.

PUBLIC DEBT SERVICE BY ENTITIES

(Billion of Pesos)

HEADING		1986 DRAFT	
	Interest	Amortization	Total
Total	9,380.3	5,411.5	14,791.8
	---	---	---
	---	---	---
FEDERAL GOVERNMENT	7,203.4	3,068.3	10.271.7
ORGANIZATIONS AND ENTERPRISES	2,176.9	1,648.2	3,825.1
	---	---	---
Mexican Petroleum	733.7	391.1	1,124.8
Federal Electricity Commission	726.2	272.4	998.6
Central Light and Energy Company	[no figures as published]		
Mexican Fertilizers	46.7	12.1	58.8
National Iron and Steel Company	6.2	3.9	10.1
Lazaro Cardenas-Las Truchas Steel Complex	71.9	24.5	96.4
National Diesel	83.7	93.5	177.2
National Railway Car Construction Company	1.5	3.6	5.1
Monterrey Foundaries	39.3	18.1	57.4

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	Interest	Amortization	Total
Mexican Blast Furnaces	199.8	58.0	257.8
Sugar, Inc.	43.7	195.2	238.9
Paper Importer and Producer, Inc.	3.0	30.7	33.7
National Railways of Mexico	50.7	57.3	108.0
Pacific Railway	13.9	19.9	33.8
Chihuahua-Pacific Railway	4.3	6.5	10.8
Sonora-Baja California Railway	5.1	2.7	7.8
Federal Toll Highways and Toll Bridges and Related Services	4.1	3.3	7.4
Mexican Airlines	9.1	12.2	21.3
Airports and Auxiliary Services		0.3	0.3
National Company for Basic Commodities	106.6	336.7	443.3
Mexican Coffee Institute	8.4	95.1	103.5
Mexican Forestry Products	[no figures as published]		
Mexican Fisheries Products	19.0	11.1	30.1
FEDERAL GOVERNMENT ADEFAS		695.0	695.0
		---	---

Although the program will be basically implemented in the capital of the Republic, it will have effects on the entire country. The magnitude of the taxes that must be undertaken calls for creativity and discipline. The political philosophy behind the National Development Plan represents the basis for this task.

Despite severe economic restrictions during 1986, the country has important resources to face the most urgent needs of the reconstruction. A big effort has been made in the reallocation of resources within required limits in order to advance in the improvement of public finances and the struggle against inflation.

For 1986, resources totalling 500 billion pesos have been financed through several different means. These funds will be used to take care of social priorities, the operation of the city and its services, as well as the decentralization required due to the effects of the earthquake. Of these funds, 300 billion pesos have a fiscal origin (259 billion will be placed in a new section of the central government budget and 41 billion in the budget of the IMSS (Mexican Social Security Institute) and the ISSSTE (Institute of Social Security and Services for Government Workers), while the remaining 300 billion pesos will be used to support a special credit program for housing projects for the affected areas and to support decentralization. This effort for the allocation of resources is aimed at decreasing the suffering and the adverse impact that has hurt Mexicans whose houses, jobs, and access to public services were affected.

Reconstruction Budget

(Billions of Pesos)

(Inventoried)

HEADING		AMOUNT	
I. Fiscal Resources (Footnote 1)(The resources of this budget are exclusively fiscal supports and they are different from the credit supports outside the budget and the resources of the National Reconstruction Fund.)			
1. Mexico City			112.0
a) Housing Renewal		25.0	
b) Damaged pavements and shoulders		8.0	
c) Replacement of street lighting infrastructures		5.0	
d) Demolition and collection of rubble		10.0	
e) Repair of the deep drains, the central waterline, the La Piedad viaduct, and eastern zone damages		9.0	
f) Waterworks, primary and secondary networks		18.0	
g) Supports for the self-construction housing programs, reconstruction and shoring up of historic monuments, and restoration of Federal Government office buildings		37.0	
2. Health and Social Security			56.0
a) IMSS		29.0	
b) ISSSTE		12.0	
c) Health		15.0	
3. Decentralization			132.0
a) Drinking water		12.0	
b) Communications		12.0	
c) Housing (Housing Fund of the Institute of Social Security and Services for Government Workers--FOVISSSTE)		10.0	
d) Employment Program		50.0	
e) Decentralization of the Federal Public Administration		48.0	
-Personnel and movement of equipment	33.0		
-Expansion of the housing, education, and health infrastructure	10.0		
-Conversions, installations, and offices	5.0		

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Fiscal Supports	300.0

II. Credit	
1. Special Housing Program	200.0

TOTAL	500.0

Regarding the fiscal resources, 25 billion pesos have been allocated to directly support housing renewal actions as a complement to the credit resources; and 50 billion for the repair of the deep drainage, the central waterline and the water supply to the eastern zone, waterworks, primary and secondary water networks, demolitions for safety reasons, and the collection of rubble, replacement of street lighting infrastructures, and the repair of damaged roads.

Resources have been allocated to meet various commitments that emerged as a result of the earthquake and that do not correspond to the Federal District programs, but that will be used in Mexico City to support actions for housing, federal buildings, and the shoring up of historic buildings for a total of 37 billion. For the reestablishment of health and social security installations, 56 billion has been allocated, and to support the decentralization of the federal public administration, 82 billion has been allocated. This includes the direct expenses and investments in waterworks, communications, and housing support. The regional employment programs will be adjusted to the new needs in support of the population affected in Mexico City and Jalisco, Michoacan, and Guerrero states.

The special housing program is concentrated in the most damaged zones in Mexico City and the cities that will feel the impact of the decentralization. The participation of the community, the social sector, and the private sector will be promoted in all programs. The housing will be built with the society, promoting an intensive industry that generates jobs and does not require imported raw material, and using the work of the affected population to resolve their social situation and to prevent new migrations.

In the working class colonias [urban communities] located in the downtown area, the cultural identity of and the communities' desires to restore the minimum conditions of their houses, adjusting them to the socio-economic level of the inhabitants, will be respected. The plan will be based on self-construction and self-administration with the surveillance mechanisms promoted and established by the community. The special housing program with credit support encourages community participation in the working class colonias, thus providing a response to the population's priority demand. In other affected colonias, it will be an additional incentive for the investment of national capital both in the construction of houses, as well as of other installations that were severely damaged. In the same manner, funds have been assigned to handle commitments and housing requirements, and to ensure strict compliance with the corresponding legal procedures.

A total of 100 billion pesos will be available in order to carry out all forms of the various housing reconstruction programs in Mexico City. Simultaneously, housing activities will be centered on the cities experiencing population growth as a result of the decentralization of the government institutions affected by the earthquakes. This will encourage regional development, reduce the burden on the capital city, and will vacate houses and offices in Mexico City.

As part of these efforts, the regional employment programs will be maintained and updated, through coordinated actions with both the social and private sectors, in order to reinstate, as soon as possible, the jobs lost in the clothes manufacturing industry, handicrafts, various occupations, small stores, and services in general.

Considering the importance of the reconstruction activities for the entire nation, the activities will be closely supervised, and periodic reports will be sent to Congress on their progress and on the utilization of the funds obtained from taxes, loans, or donations. In addition, the various committees of the National Reconstruction Commission will be invited to help in designing better programs and supervising them.

The National Reconstruction Fund, which was created with the donations made to the special account at the National Financial Corporation, will maintain its autonomy; it will have funds in addition to the ones called for in this program, and it will continue to be a fundamental instrument for social solidarity in the reconstruction tasks.

The basic line to be followed for the allotments will be to maintain moderate expenses, through reallocations and optimum utilization, and to support priorities in education, health, regional development, communications, transportation, supplies, rural development, as well as in the production of strategic goods and services.

The necessary austerity and discipline require another careful evaluation of each one the sector programs, plans, and projects currently promoted by the federal administration in order to reorder them according to the new conditions and needs. In addition, new formulas must be created for the participation of private and social sectors in order to expand the basis of those programs and projects.

Education will receive more support in 1986. The budget appropriation for that sector will have as a priority the reconstruction of damaged infrastructures in the Federal District and the states. Attempts will be made to balance the role played by the three branches of government in the education sector, and to increase the social, private, and community sectors' participation in the education process. The quality of education will continue to be improved without diminishing the attention to services and while concentrating efforts on the substantial aspects of the educational process.

In the health and social security sector, the priority will be the reconstruction of hospital infrastructures and the restoration of medical services to the levels prior to the earthquakes. Efforts will also be made in the fields of preventive medicine, medical treatment, and social security in order to guarantee the Mexicans right to health.

The regional development sector will, in addition to enjoying the continuation of its normal programs to develop strategic regional projects, receive extra resources for reconstruction. These resources will be channeled toward works and projects based on activities geared toward the decentralization Mexican life.

The communications and transport program for 1986 is oriented toward the establishment of greater coordination between the various modes of transportation and the trade and supplies systems through the construction and reconstruction of basic infrastructures, as well as through the manufacture in Mexico of transportation equipment. Equipment and technology will be financed and purchased with a view to increasing the productivity and efficiency of transportation services.

With regard to the supplies and trade sector, the priority will be the consolidation of the national network for the collection, transportation, and distribution of grain, oil-producing seeds and perishable goods. This will be done by coordinating actions between the state and municipal governments and the social and private sectors for the establishment of plants to process basic food products. At the same time, attempts will be made to improve the competitiveness of industry, promote the export of products other than oil, step up technical development, and integrate production networks of basic products.

In the field of agriculture, priorities are listed in the National Program for Overall Rural Development. They will be geared toward the promotion of basic crop development, the improvement in the standard of living of rural populations, and the increase in productivity and proper use of resources. For this, and giving special attention to harsh climate areas, funds will be assigned to give technical assistance, promote peasant organization, consolidate the granting of guarantees in landholding rights, and expand the coverage of basic public services. Particular attention will be given to increasing the participation of those groups involved in agricultural activities. The rural development reconstruction program will play a key role in assuring the food supply for harsh climate areas.

In fishing, activities in 1986 will focus on infrastructure expansion through the utilization of special credit programs and the promotion of new technology both in actual catching and in industrialization through specific programs to organize and train fishermen.

In 1986 the industrial and energy sectors will benefit from the links that exist between the various state enterprises to support manufacturing and employment. Priorities will also be set on the production of export goods, taking special care to ensure an adequate supply of those products on the domestic market.

Summary by Economic Sector

1986 DRAFT

(Billions of Pesos)

SECTOR	expected 1985	normal	recon- struction	total	percent variation
Total planned expense	10,753.0	15,091.0	300.0	15,391.0	43.1
Rural development	898.8	1,255.3	38.3	1,293.6	43.9
Regional development and ecology	440.7	509.8	177.0	686.8	55.8
Fishing	190.0	272.1		272.1	43.2
Social development	2,536.0	3,883.0	71.0	5,954.0	55.9
Education	1,353.9	2,114.3	5.0	2,119.3	56.5
Health and security	1,182.1	1,768.7	66.0	1,834.7	55.2
Communication and transportation	947.2	1,340.7	13.7	1,354.4	42.9
Commerce and supplies	767.5	1,018.5		1,018.5	32.7
Tourism	21.9	29.0		29.0	32.1
Energy products	1,521.2	3,822.2		3,822.8	51.6
Industrial	1,336.3	1,877.2		1,877.2	40.5
Administration	1,093.4	1,082.6		1,082.6	(1.0)

In the tourism sector, activities in 1986 will be directed toward the challenge of overcoming the damage caused by the earthquake as well as the loss of competitiveness in some services. For this, programs and orientation campaigns will be established for the protection of and aid to tourism; financial support for the expansion of infrastructures will be rationalized; and the reservation, promotion, and administration systems will be improved.

Departments and entities assembled in the administration sector will face the biggest challenge in the policy of revamping public expenditures, seeking to concentrate efforts on high priority programs with the most efficient use of resources.

Almost 8.2 Trillion from Taxes

The Federal Government will receive during 1986, 8.141 trillion pesos in taxes, of which the most outstanding items are income taxes, with 2.852 trillion, and the IVA [Value Added Tax] with 2.336 trillion.

Taxes on production and services will produce 2.071 trillion; taxes on imports, 693 billion; on exports 1.8 trillion; on expenditures, 66 billion; on ownership and use of automobiles, 59.8 billion; on new vehicles, 59.8 billion; and other sources, 400 million.

Furthermore, the government will receive 5,653 trillion from duties; 44.9 billion from products; 140.3 billion from concessions; 81.2 billion from accessories, and 15 billion from contributions for improvements.

The Government will obtain 25 billion pesos from capital gains.

Parastate Public Administration Budget Planned Expenditures by Entities (footnote 1: include contributions and transfers from the Federal Government)

HEADING	(Billions of Pesos) Expected 1985	Projected 1986	Percent Variation
Planned expenditures	6303.8	9331.8	48.0
Mexican petroleum	1692.9	2419.1	42.9
Federal electricity commission	706.0	1222.7	73.2
Central power and light company	113.9	169.7	49.0
Mexican fertilizers	246.2	407.4	65.5
National iron and steel	17.9	37.7	110.6
Lazaro Cardenas-Las Truchas steel complex	150.2	137.6	(8.4)
National diesel	107.6	155.6	44.6
National railway car construction company	32.3	50.2	55.4
Monterrey foundries	81.1	109.7	35.3
Mexican blast furnaces	192.2	279.0	45.2
Sugar, Inc.	369.5	516.4	39.8
Paper importer and producer, Inc.	44.2	79.4	79.6
National railways of Mexico	238.6	357.2	49.7
Pacific railway	39.7	71.3	79.6
Chihuahua-Pacific Railway	11.0	18.6	69.1
Sonora-Baja California railway	8.7	14.1	62.1
Federal Toll Roads and Toll Bridges and Related Services	25.1	41.0	63.3
Mexican Airlines	142.7	236.9	66.0
Airports and auxiliary services	23.2	32.8	41.4
National Company for Basic Commodities	652.7	860.3	31.8
Mexican foreign trade institute	8.4	9.8	16.7
Mexican coffee institute	72.6	116.4	60.3

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Vicente Guerrero forests	2.9	4.0	37.9
Mexican forestry products	4.9	4.2	(14.3)
Mexican fisheries products	159.9	236.0	48.1
Mexican social security institute	789.1	1226.9	55.5
Institute of social security and services for government workers	245.5	356.4	45.2
National lottery for public assistance	125.4	161.4	28.7

Parastate Enterprises To Produce 12 trillion

Revenues from the Parastate Public Administration are on the order of 11.9372 trillion pesos.

The major revenue generators among parastate enterprises are: Mexican Petroleum, with 3.5872 trillion pesos; the Federal Electricity Commission, with 1.7938 trillion pesos; the National Company for Basic Commodities, with 1.1569 trillion; and the Mexican Social Security Institute with 1.2711 trillion.

The Central Light and Power Company will take in 169.7 billion pesos in 1986; Mexican Fertilizers, 420.3 billion; Mexican Blast Furnaces, 347.3 billion; Monterrey Foundries, 147.2 billion; Lazaro Cardenas Steel Complex, 174.1 billion; National Iron and Steel Company, 47.4 billion; National Railway Car Construction Company, 52.4 billion.

National Diesel will take in 253.2 billion; Sugar, Inc., 558.4 billion; Paper Importer and Producer, Inc., 82.7 billion; National Railways of Mexico, 429.1 billion; Pacific Railway, 99.1 billion; Chihuahua-Pacific Railway, 27.9 billion; Sonora-Baja California Railway, 21.5 billion.

Mexican Airlines will take in 273.6 billion; Airports and Auxiliary Services, 38.2 billion; Federal Toll Roads and Toll Bridges and Related Services, 65.3 billion; Mexican Foreign Trade Institute, 12.3 billion; Mexican Coffee Institute, 121.5 billion; Vicente Guerrero Forests, 4 billion.

Mexican Forestry Products will take in 4.1 billion; Mexican Fisheries Products, 261.1 billion; the Institute of Social Security and Services for Government Workers, 356.4 billion; and the National Lottery, 161.4 billion.

BUDGET OF THE CENTRAL PUBLIC ADMINISTRATION

(in billions of pesos)

HEADING	Expected 1985	Projected 1986
PLANNED EXPENDITURES	6,000.6	8,236.3
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	---	---
DIRECT EXPENDITURES	2,953.1	4,025.8
	---	---
Presidency of the Republic	11.0	14.6
Interior	32.0	33.6
Foreign Relations	23.6	37.9
Finance and Public Credit	92.3	103.1
National Defense	224.3	286.8
Agriculture and Water Resources	388.9	422.9
Communications and Transportation	379.0	452.8
Commerce and Industrial Development	25.2	28.4
Public Education	836.4	964.3
Health	160.2	190.7
Navy	75.8	87.4
Labor and Social Security	17.0	19.0
Agrarian Reform	32.4	35.8
Fishing	19.4	21.7
Office of the Attorney General of the Republic	14.8	16.9
Energy, Mines, and Parastate Industry	11.2	12.0
Contributions to Social Security	3.0	4.5
Urban Development and Ecology	63.2	62.5
Tourism	15.1	17.4
Planning and Budget	36.4	40.2
Comptrollership-General of the Federation	8.0	7.7
Non-sectorized Outlays	323.3	744.5
Reconstruction	---	259.0
TRANSFERS	3,047.5	4,210.5
	---	---
Controlled organizations and enterprises	1,491.9	2,088.2
Subsidized entities	1,555.6	2,122.3

The draft budget for 1986 does not consider the impact of the salary package on the expenditures allocated to the departments since it is included under non-sectorized outlays being distributed in the course of the accounting period; while in 1985 it is included as a budgeted expenditure.

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CSO: 3248/97

LEFTISTS SUSPECTED IN PLOT AGAINST OIL WORKERS' UNION LEADER

Suspects Named

Mexico City EXCELSIOR in Spanish 20 Oct 85 STATES section p 1

[Article by Lubin Jimenez, EXCELSIOR correspondent]

[Text] Tampico, Tamps., 19 Oct. Manuel Alba Vera, "El Bigus" or "El Gordo," as he is also known, was arrested by the Ciudad Madero police, under the order of police chief Nicolas Perez Segura; he has been named as one of the accomplices involved in the attack against Salvador Barragan Camacho. Alba Vera is a member of the subversive group known as FRAP [Peoples Revolutinary Armed Front].

The police chief reported that the arrested man was implicated by Genaro Martinez, a leader of the group who allegedly plotted the assassination of the union leader.

He indicated that Alba Vera was responsible for storing the weapons that were to be used to carry out the attack; this morning the police cautiously surrounded his house, and made the arrest. Inside the house they found two 9-mm pistols with two ammunition clips each; they also found pro-communist literature.

The arrested man stated that he is a member of the subversive group FRAP, which has claimed responsibility for six bank robberies committed in this area.

Perez Segura said that the relationship between Alba Vera and Genaro Martinez is a close one, like their connection with another person named Antolin, who was arrested this morning and who is still being questioned. He added that the commander of the FRAP, Tomas Luna Rodriguez, was supposed to have been arrested in Mexico City, but this report could not be confirmed.

Finally, he indicated that all this has brought them to consider the case more thoroughly, due to the involvement of this subversive group and the clarification of their objectives through this series of criminal actions.

The Public Ministry agent in Ciudad Madero, Joel Lerin de Leon, said that the case of his counterpart in Tampico, Cirilo de Leon del Angel, who has been named as the presumed mastermind behind the attack against Barragan Camacho, has not yet been cleared up, even though Genaro Martinez, the gang leader who was arrested, said that the accusation had been made under duress. For this reason, an investigation will be conducted of the police departments of Tampico and Madero, in order to determine if either of the departments seems to be involved in these criminal activities.

Links to Bank Robberies

Mexico city EXCELSIOR in Spanish 22 Oct 85 STATES section pp 1, 4

[Article by Lubin Jimenez, EXCELSIOR correspondent]

[Text] Tampico, Tamps., 21 Oct. Today the five persons who are allegedly implicated in the aborted plot to assassinate Sen Salvador Barragan Camacho were brought before a representative of the MPF [Federal Republic Ministry]. The investigations of this case have already begun to point "toward leftist subversive groups," stated Marcial Santoy, head of the PJF [Federal Judicial Police].

Apparently until today the investigation did not seem to have any definite target; however, Commander Santoy said that everything is going well, heading "toward the goal of uncovering the activities of individuals participating in supposed subversive groups."

The Federal Public Ministry agent in Ciudad Madero, Joel Lerin de Leon--who in the beginning was reported to be the mastermind acting on behalf of the gang--said that the persons arrested are still being questioned, but that so far they have not been able to clear up the primary unknown: Who is behind this whole plot?"

It has been confirmed that the five persons involved also took part in a number of attacks on banks and activities of leftist subversive groups, coordinated by the FRAP.

Santoy said that the investigations will continue in order to determine the responsibility of the persons arrested for the bank robberies perpetrated.

Manuel Alba Vera, also known as "EL Bigus" or "El Gordo," who was arrested last Saturday, is the one who has been questioned most intensively, since his participation in the plot to assassinate Barragan Camacho has been proven. His job was to store the weapons, which the local authorities found and confiscated last Saturday.

Jose Reta Diaz, an agent of the Federal Public Ministry, said that they are conducting an investigation to determine the responsibility of those persons arrested, who are self-described terrorists, and who did take part in the attack on the local Regional Bank.

"We are moving in the right direction toward finding out more about the activities of other individuals whom we believe are involved in supposed leftist subversive groups. I can't give you any more information for the time being," concluded Santoy.

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CSO: 3248/70

BRIEFS

PRI CANDIDATE SELECTION PROCESS EXTOLLED--San Luis Potosi, 19 Oct. Democracy recognizes no labels of rich or poor in the selection of PRI [Institutional Revolutionary Party] candidates; there are no weighted votes, said the chairman of the PRI's Convention Coordinating Committee, Maximiliano Silerio Esparza. In a press conference held the day before the candidate selections for the party's mayoral candidates for 110 towns in this state and in the neighboring state of Zacatecas, Silerio Esparza pointed out that the voting system for all party members--called Direct Consultation of the Rank and File--has neutralized the influence of hegemonic cacique groups. Silerio Esparza spoke of the development of the PRI's internal candidate selection process, and recalled a saying of the late secretary of public education and president of the PRI, Jesus Reyes Heroles, to the effect that "votes are counted, they aren't weighed." In closing, Silerio Esparza reported that the Direct Consultation of the Rank and File system has previously been used in 457 towns in the states of Nayarit, Yucatan, Hidalgo, Sonora, Veracruz, Tabasco, Tlaxcala, Colima, Campeche, and Jalisco. [Article by Miguel Angel Rivera, special envoy] [Excerpts] [Mexico City LA JORNADA in Spanish 20 Oct 85 p 4] 7679

VERACRUZ: 201 PRI MUNICIPAL VICTORIES--Jalapa, Veracruz, 13 Oct--The State Election Commission ruled today that PRI was victorious in 201 of the state's 203 municipalities, where mayoral elections were held last week. The commission, on which nine political parties are represented, emphasized at its session that a climate of freedom characterized the entire election campaign. It was said that the elections confirmed the insignificant support for political parties other than PRI and that the opposition party campaigns were unable to arouse sufficient interest among voters. Nonetheless, commissions made up of representatives of the competing political parties were set up in the municipalities of Texistepec, Villa Aldama, Teocelo and Naolinco. The commission also took note of the complaints that were brought up. The Popular Socialist Party won in the municipality of Texistepec, and Rafael Ramirez was victorious for the National Action Party in Las Vigas. [Excerpts] [Mexico City LA JORNADA in Spanish 14 Oct 85 p 7] 8743

NEW USE FOR DURAZO RESIDENCE--In accordance with a decision by the Department of the Federal District, the Office of the Attorney General of the Republic and the UNAM [National Autonomous University of Mexico] will convert the former residence of Arturo Durazo Moreno in Ajusco into a Center of Culture and Legal Research. For that purpose, over 50,000 law books and 10,000 other volumes from the university began to be transferred to the new site yesterday. The Emilio Portes Gil Library of the Office of Attorney General was located on the ground floor of the central building near the Palace of Fine Arts. As a result of the damage which different offices suffered in the recent earthquakes and after employees began to work at the National Institute of Penal Sciences in Flalpan, the decision was made to move it. [Excerpt] [Mexico City EL DIA (METROPOLI supplement) in Spanish 4 Oct 85 p 6] 11,464

CSO: 3248/33

INTERNATIONALISTS BUILD SCHOOLS IN SPECIAL ZONE III

Managua BARRICADA in Spanish 6 Sep 85 p 12

[Text] Internationalists of the Berthold Brecht Brigade of the Federal Republic of Germany, and brigadists of the Basque people have contributed more than 11 million cordobas in solidarity assistance this year to Rio San Juan, Special Zone III.

Orlando Pineda Flores, regional delegate of the Ministry of Education in Special Zone III, emphasized the important contribution of the brigadists in the field of education. Side by side with the teachers and villagers of the zone, they have participated in the construction of the Normal School of Rio San Juan and in other projects.

At the present time, schools are being built in various settlements located in the countryside and in local villages. A Child Development Center [CDI],for the children of teachers and costing 5 million cordobas, is also under construction. All of these projects are being carried out with the collaboration of the teachers, governmental institutions, and with international solidarity.

In addition to the assistance of the German brigadists, 125 Basque citizens participated last July and August in the construction of a school for 562 pupils in Los Chiles. They also worked with the agricultural cooperatives and left a contribution of 2 million cordobas.

Referring to the special characteristics of Rio San Juan, a territory historically overlooked by the Somoza regime, with 96 percent of the peasantry illiterate, Pineda noted that Ministry of Education [MED] authorities, backed by the organized teaching profession and supported by various appeals, some partisan, some governmental, have set out to eradicate illiteracy from Special Zone III.

To achieve this objective, Operation Col Carlos Fonseca has been set in motion aimed at freeing six regions and settlements of illiteracy by the end of 1985. In the same manner new areas will be selected for the following year, ending in 1987 with the entire territory literate.

Besides this project, Pineda said that they hope to "seed" the settlements with schools and leave in the zone all the teachers who come from Rio San Juan. They will also arrange for some assistance from the University.

Rio San Juan has at present 416 teachers, however there is still need for the services of new graduates in the teaching and social service fields. More than 3,250 villagers and 7,115 school children benefit from the various educational programs in the zone.

12383
CSO: 3248/19

WATER RATIONING IN MANAGUA BEGINS AGAIN

Managua LA PRENSA in Spanish 5 Sep 85 p 8

[Text] Only the drilling of forty wells, or the recovery to previous levels of the Lake of Asososca, which has been determined to be impossible, can forestall the reintroduction, as of today, of water rationing for the large population of this capital, which has grown even larger in recent years.

Water service to all Managua households, community centers and work places where water is used will be interrupted on two designated days each week. There will be no rationing on Sundays.

According to unofficial data, the population of Managua has now reached one million, and the Lake of Asososca alone can output 38 million gallons of water per day, so that with no problem at all, each person could have available 38 gallons per day.

Yet the Nicaraguan Institute of Aqueducts and Sewers [INAA] continues to wage a strong publicity campaign about saving water.

Water was cut off again in several districts of Managua today, two months after the rationing which had been in effect since December of last year was lifted.

Engineer Otoniel Arguello, director of INAA, told reporters that the present water scarcity problem will not be completely solved until 1995 when 40 artesian wells which are to be drilled at several points in Managua to relieve pressure on the Lake of Asososca will have been placed in operation.

For their part, water service customers who became subject to rationing today began storing water themselves in tanks, noting the recommendations of the Ministry of Health regarding breeding places of the malaria mosquito.

Well to do, Managuans and some businesses and restaurants have been constructing water storage facilities in above ground tanks connected with the internal water system.

The suburbs of Altamira D'Este, Bosques de Altamira and Barrios Mexico y Riguero will have rationing on Saturdays and Sundays.

12383
CSO:3248/19

ENERGY, MANPOWER PROBLEMS IN SIUNA VIEWED

Managua BARRICADA in Spanish 19 Sep 85 p 8

[Text] In Siuna when the local cinema is in operation, one sector of the town remains in darkness: the electricity problem here is becoming more serious One must choose between seeing a movie or draining off the electricty for lighting up the houses.

In 1981 two vintage 1969 Rustom power plants and a 1959 Norver plant supplied 2400 kilowatts of electricity to the town. Today, the two Rustoms are old and no longer in service. Electric output is a bare 250 kilowatts, or 2150 kilowatts less than in 1981.

And since production from the mine depends upon the available electrical energy, production has declined. In the period 1980-81, 11 thousand ounces of gold were produced, in 1983-84 this fell to 7,900 ounces, and in 1984 only 2070 ounces could be produced before the mine was shut down.

Solution to the Problem

Ivan Lara Dinarte, director general of the mining authority, explained that "the acceleration of the Energy Project is the short- and mid-term solution to the problem." And he added that this effort involves the purchase of four Czechoslovak CKD power plants at a total cost of 1 million dollars, and the investment of 120 million cordobas in public works construction for those plants."

These four power plants would generate 4,400 killowatts of electricity, which would make possible an initial increase in the mine's processing capacity to 1,200 tons of ore per day.

However, the war also has a bearing on the start of this project; Alejandro Dominguez, assistant director general of the Siuna Mining operation said that "we are doing all we can do in the midst of this war," and he added that "almost all of our personnel are mobilized in the defense effort." The workers have made a tremendous effort, working up to 40 hours running, to meet the commitment to have the first Czech plant installed next month and "to recommence production in honor of the seventh anniversary of the nationalization of the mines."

Problems

Ivan Lara said that one problem is the increase in the cost of transporting materials, and he illustrated this by saying that "one quintal of cement costs us 150 cordobas in Managua, but when it is delivered here it costs 1500 cordobas." Another problem is the work force because this is a war zone. "Some bricklayers here earn 40,000 cordobas a month and still leave; every two weeks or so we have to go looking for new workers."

Alejandro Dominguez said that another problem is cultural backwardness. "We have empirical technicians in management who cannot read or write." He added that "the average educational level of the 460 workers of the enterprise is the fourth grade."

Lara Dinarte said that the principal problem is probably finding qualified technical personnel, "because we are going to have 4 power plants in operation in 1987 and we are not going to have on hand the 685 young men who will be required as energy and mining technicians." These technical personnel needs break down as follows: 150 basic miners, 222 basic technicians, 221 intermediate technicians, 21 practical engineers and 71 university trained engineers, in order to get the completed development project under way.

There are not that many students in the zone, and he pointed out that "there are only 96 students in the sixth grade to meet the need for 222 basic technicians." He added that "it will be necessary to call on Managua's resources, and we know that to come and live here requires more than just good will."

"Energy is our Achilles heel because it is the key to our development." He added that the Siuna Mine which has been abandoned for 17 years because of flooding would be reactivated, that the production of gold would be raised to 64 thousand troy ounces per year (the present price is 330 dollars per troy ounce), and that the water supply would be increased with the installation of three new pumps.

The energy problem in Siuna is something more than "a snap" for Nicaragua.

12383
CSO: 3248/19

PRESS CHARGES LESS FREEDOM THAN UNDER BELAUNDE

Lima EL DIARIO DE MARKA in Spanish 7 Oct 85 p 6

[Article by Luis Morales]

[Text] Ayacucho--The strident announcements by President Alan Garcia concerning the unrestricted freedom of the press in Peru are nothing more than empty statements because both international and national journalists are constantly harassed by officials of the army in the Department of Ayacucho.

These army officers use as their own the names of wild animals in the region, each one being called tiger, fox, condor, puma, and so on. They wear mountain hats allowing only the eyes to show, lie and insult the dignity of newsmen.

Accompanied by an Italian special correspondent, at 0600 hours this reporter went through Vilcashuaman, heading for Churia, Huambalpa, Paccaypampa, Bellavista and finally, Umaro, and experienced difficulties.

What specifically happened was that patrols left the Vilcashuaman Cangallo and Hualla barracks in a synchronized, well-scheduled fashion, for the purpose of intercepting the newsmen and preventing them from shedding light on the horrors which the horde -- worse than Atila's Huns -- has committed in the interior of the province, declared to be in a state of emergency.

From Ichu-Cruz at 1230 hours on Friday afternoon and as far as Huambalpa, a distance of 17 kilometers, I was constantly followed, but when we arrived at the deserted town, we managed to hide, enjoying the protection of an old woman who allowed us to spend the night.

At 0300 hours in the morning and foiling the tight vigilance, we arrived at Paccapampa, on the banks of the Rio Pampas, 30 kilometers downstream.

We saw nothing but abandoned houses looted by the army on the whole trip.

The trip from Paccapampa to Umaro, about 50 kilometers along the Pampas, was a picture of desolation and constant harassment by a patrol commanded by a lieutenant from the Hualla detachment named Oroya.

When the commission arrived at the devastated and looted area of Umaro, it surprised four soldiers repeating the looting of an abandoned house and rapidly fleeing when they realized our presence.

The officers then immediately reported our presence to their superiors, whom we met in the main town square. Aiming their machine gun at us, they asked for our personal documents.

When "informed" of who we were, they demanded our pass and special permit that we had to have to enter the emergency zone, a document never delivered by the political-military command of the zone.

After providing the proper explanations, we were told that we were not under arrest, but that they would protect us.

We were taken over the Umaro suspension bridge to Colca, a district in Victor Fajardo Province, where we arrived at 1800 hours.

There we met an army major commanding a patrol of 17 men, who put us on an army truck, allegedly to be taken to Cangallo.

At the intersection of Colca and Victor Fajardo, we met up -- with astonishing precision -- with a jet and another truck arriving at the same time.

The major ordered us out of the vehicle and turned us over to another officer, who tried to humiliate us, making us stand in the headlights of the car as he inspected our documents and personally examined us, as if we were common criminals. He announced that they had taken us out of the "red zone." From there, we were taken to Cangallo, where we arrived at 2000 hours.

We had traveled for 16 hours in order to be turned over to the offices of the PIP [Peruvian Investigative Police]. One PIP official arranged that with police protection, we would be taken to a local hotel.

Yesterday morning, under strict police control, we got on a Cangallo-Ayacucho bus, arriving in this city at 1440 hours.

With this brief report, we have shown that the system of repression of the pres press implemented by Belaunde's regime continues to grow worse with requisitioning of press material.

11,464
CSO. 3348/91

IU RESISTANCE TO BARRANTES' REGISTRATION EFFORTS LESSENING

Lima EQUIS X in Spanish 30 Sep 85 pp 22-24

[Article by Arnulfo Basagoytia]

[Text] The process of issuing cards to members, being carried out by Alfonso Barrantes in the United Left (IU), is producing disillusionment within the parties making up that grouping. It has in fact been observed that those parties are no longer unanimous in opposing the procedure, but paradoxically enough, it is serving as a factor of internal unity, especially in the provinces.

Progress of Carding Process

The generalized opposition to carding completed by the leader of the United left is tending to disappear. This opposition reflected the distrust of each party leadership concerning that grouping of IU members. In fact, even in the two parties least receptive to the process. the UNIR [expansion unknown] and the PUM [expansion unknown], there is an internal discussion in which members have favored the carding process, even if they do not say so publicly. This is reportedly the case of Jorge Hurtado (Ludovico) of the PC Patria Roja, the main force of the UNIR, who is said to be strongly defending in his party and the UNIR the idea that support should be given to Barrantes' process. He thus disagrees with the views of Rolando Brena and Cesar Barrera, who are reportedly fighting internally to prevent the continuation of the process.

In the PUM, not only are there internal disagreements over the matter and on the leadership level, but rather, entire departmental committees have broken with Diez Canseco and have gone over to the carding process of Barrantes, but without organically breaking with the PUM, as in the case of the Departmental Committee of Arequipa, which is of undeniable national importance.

With respect to the second aspect, the fact that the carding process has served as a factor of internal unity in specific cases, one might note an experience observed by Alfonso Barrantes himself during his recent travels in the interior of the country. The IU leader found that several provincial and departmental committees were divided and had two boards for party and also regional reasons. But when Barrantes arrived and explained the significance of carding for the future of the IU, the leaders of all parties approved the proposal and united in contributing as a group to the practical completion of the process, especially when Barrantes personally stipulated the condition that they leave aside their disagreements and group themselves together in single leadership boards.

Unification Process

That unification has even come about with the signing of public documents by all party leaders supporting the carding process. Local leaderships have thus made their views clearly known to their national leaders. Many of the latter, who are commonly known to oppose Barrantes, take their opposition over the carding process to the extreme of proposing a break with the IU and the formation of another type of front. But they do not realize that without the IU, they are nothing individually and that without Alfonso Barrantes, the IU would not work. There is no other leader who could take his place, as those very leaders confess in moments of sincerity! Whence the fact that their abruptness should be considered as mere immediate reactions.

In addition, because of sectarianism, some of the leaders are against Barrantes' statements supporting certain measures of the Popular Action Government and propose that the IU come out with a statement on the matter. Part of the parliamentary faction published a bulletin a while back asking Barrantes for a clarification on these statements of support. It is said that they were made on a personal basis and that the board of directors should meet to make an official announcement on the matter. Barrantes responds that the statements were made by virtue of his status as president of the United Left. So that there might be no problem, he has summoned the board of directors on several occasions, but the lack of a quorum prevented it from meeting. It is also said that the parties themselves did not want a quorum for two reasons: 1) because with respect to the government measures, there are parties that support Barrantes, such as the PCP [Peruvian Communist Party] Unity, Leonidas Rodriguez' PSR [Revolutionary Socialist Party], Manuel Dammert's PCR [Revolutionary Communist Party], the PSR of Gustavo Mohme, and the independents; and 2) because they would feel at a loss for arguments in attacking that positions defended by the president of the IU.

11,464
CSO: 3348/91

NICARAGUAN VICE PRESIDENT COMMENTS ON LIMA GROUP INITIATIVE

Lima EL DIARIO DE MARKA in Spanish 13 Oct 85 pp 8, 21

[Interview with Sergio Ramirez, Nicaraguan vice president, in Lima by Carlos Angulo Rivas; date not specified]

[Text] Question: How do you view the Central American conflict?

Answer: Well, the Central American conflict is developing in two ways at this time. One is the military situation itself caused by U.S. interference in Nicaragua and the direct support from the U.S. Government to the armed Somozist counterrevolution. This produces a situation of general destabilization that also affects Honduras and Costa Rica due to the border tensions that are continually created. That is the first way. The second, naturally, is the diplomatic effort of the Contadora Group to try to find a framework for negotiations to bring peace to Central America. These two ways are obviously linked by a common factor: the U.S. Government's refusal to accept a peacefully negotiated solution that respects the rights of the Nicaraguans and, therefore, leads to a long-term settlement.

Question: Are only military factors involved or is there also economic aggression?

Answer: It is basically military aggression accompanied by the damage to the Nicaraguan economy that the war produces. It also affects the framework of economic relations. This is translated into a financial and trade blockade which try to weaken the material base of the revolution and cause the country to collapse. This is part of the military strategy.

Question: Is there new progress toward a negotiated peace with the Contadora Group and the initiative of the Lima Group?

Answer: Yes, the formation of the Lima Group is very important to us because it reinforces the Latin American perspective which we believe in. The Contadora Group must endorse this great initiative because, actually, Latin American and U.S. interests are confronting each other. Therefore, the start-up of this group formed by democratic countries on the continent is an important step for all.

Question: Some reactionary groups or governments in Latin America and the press aligned with them are questioning the Nicaraguan Revolution and the Sandinist Government, mainly with the accusation that there is no freedom of press in your country. They also question the recent elections. What is your opinion of this campaign?

Answer: Obviously there is some restriction on freedom of expression in Nicaragua, especially concerning military information which involves state security. This is due to the war conditions and aggression against the country. This is natural in any country subjected to such a situation. Throughout history, countries affected by wars have imposed limitations on freedom of expression. Nevertheless, Nicaragua has freedom of expression from any angle. This freedom is a democratic conquest of the revolution; the right to inform and be informed is in effect in the country. As to the elections, the truth is that no matter what type of elections we would have held last year, they would not have satisfied the United States or its propaganda machines. They try to nullify the validity of the elections which give legitimacy to the Nicaraguan Government because they do not want that legitimacy. The Nicaraguan Government, after the elections, has been recognized and accepted universally as an elected government.

Question: Well, the Ecuadoran Government has just revealed that it would break relations with Nicaragua. Its president stated that the elections were not honest and as long as there are no free elections in Nicaragua, peace in Central America cannot be discussed. What is your opinion?

Answer: That is exactly the Yankee thesis. That is the Yankee thesis which President Febres Cordero agrees with. I think that was a sudden outburst that identified him with a classic U.S. thesis. I trust this will not lead to a break in relations that, in turn, would hinder Ecuador's attempt to join the Lima Group. No country that threatens to break relations with Nicaragua could act as a mediator. (Editor's note: Febres' intransigence led to a rupture with Nicaragua yesterday.)

Question: You are visiting the member countries of the Lima Group. You came from Montevideo and Buenos Aires and will go to Brazil. What opinion do these governments have?

Answer: These governments have an increasingly clear sense of what is happening in Central America and a desire to cooperate in a peaceful solution and provide a real framework for the Contadora negotiations. The creation of this group is very important to us but the U.S. Government feels the group does not guarantee its interests so it is trying to bring in a Trojan horse. It is trying to change the balance within this group which is unfavorable for U.S. interests. That makes us think that the group is having success in its negotiations.

Question: Are you referring to the expansion of the group? To Yankee intervention?

Answer: Yes, I am referring to intervention by Ecuador and the Dominican Republic. Neither Ecuador nor the Dominican Republic had identified with the problem. It is the United States that wants them to join. The United States shamelessly proposed this through Shultz himself, after a meeting with the foreign ministers of Guatemala, Honduras, El Salvador and Costa Rica. It was announced that they had agreed to request that Ecuador and the Dominican Republic join the Lima Group.

Question: In the Contadora act, would the most important thing be the border security zones?

Answer: The Contadora act does not actually include border security zones but basically covers the departure of foreign military advisers, the dismantling of any insurgent force that attacks the stability of a constituted government, the closing of all foreign military bases and the end of all war maneuvers on Central American soil.

Question: And the border security zones?

Answer: That was something we proposed because of the border conflicts with Costa Rica. However, they have been dropped because Costa Rica has not shown any interest in agreeing.

Question: Foreign Minister D'Escoto's long fast has been categorized as a rebellion against the church. What is the relationship between the government and the church because of this?

Answer: Not only because of this but because part of the church hierarchy in Nicaragua shares the Reagan administration's positions. This obviously creates a climate of tension not only between the hierarchy and the government, but with the people of Nicaragua who are bearing arms to defend the revolution and the country. This is not a church-state conflict but a conflict between one sector of the very conservative, pro-American hierarchy and the revolution.

Question: Do Christian groups actively participate in the revolution?

Answer: Yes, this country has an immense Catholic and Christian majority and the immense majority of the Catholics and Christians are participating in the revolution while the minority identifies with the conservative position.

Question: You cannot talk about a division in the Nicaraguan church....

Answer: I would not talk about a division in the Catholic Church as an institution but there are revolutionary currents among the Catholic people of Nicaragua who confront the conservative people.

Question: The war is a latent problem in Nicaragua. However, what is being accomplished for the reconstruction of the country?

Answer: Well, the war is an everyday reality and this depletes the resources of the country. It creates a difficult economic situation for us, not to mention the loss of lives that it has caused. Now, the first achievement of the revolution has been the consolidation of revolutionary power. This is our greatest achievement based on the armed forces, the Sandinist front itself and the revolutionary party strengthened by the 1984 elections and the popular organizations. We have achieved major health conquests in the number of consultations that have been extended to rural areas and the opening of health care centers in the most isolated places in the country. Education has been extended to the rural area after the national literacy crusade. We have about 1 million students of all ages involved in education. To us, these are the basic achievements in education and health. The agrarian reform is alsc one of the most important conquests of the revolution. At this point, we have given more than 2.2 million hectares to peasant families through the agrarian reform programs. This represents more than 30 percent of the cultivable land in the country.

Question: And the industrial sector...?

Answer: Well, we inherited an antiquated industry that we have been trying to modernize little by little. The war conditions have impeded us from making spectacular advances in this sector but the country is undertaking new investments in order to be able to process its own raw materials.

Question: The country is mobilized....

Answer: Yes, the revolution is being consolidated step by step under the difficult conditions that the war imposes but we are moving....

7717
CSO: 3348/110

SOVIET PEACE COMMITTEE VISITS NEWSPAPER

Lima EL DIARIO DE MARKA in Spanish 16 Oct 85 p 7

[Text] A delegation from the Soviet Committee for the Defense of Peace visited EL DIARIO DE MARKA recently for the purpose of exchanging ideas on the cooperation that is needed in the ongoing struggle against the nuclear threat to the world. The delegation was composed of Ravil Nizamov, a deputy and minister of education for the state of Tartaria; Rimina Kazakova, a Soviet writer and poet with more than 20 publications to her credit, translated into several languages including Spanish; and Yulia Korofkova, a researcher at the USSR Academy of Sciences. The delegation was accompanied by Peruvian Laura Albizu, who was representing the Peruvian Peace Movement (MOPEPAZ).

During their visit, the members of the delegation expressed their concern about the world situation and the danger of a nuclear holocaust due to the arms race. They announced that the USSR has launched noteworthy peace initiatives, such as: abstaining from using nuclear weapons, imposing a moratorium on atomic testing by the Soviet Union between 6 August (in homage to Hiroshima) and 31 December of this year, demanding that other powers also take this position as a show of good intentions for peace in the world, and exhortations for international cooperation to prevent the militarization of space.

In keeping with the old Russian saying, "better to see it once than to say it a hundred times," the delegation is visiting Peru to exchange experiences and observe the activities of MOPEPAZ. It attended the international opening of Afiches and the children's drawing contest, "The Child and Peace." The members also learned about the activities carried out to celebrate the 40th anniversary of the great victory over Hitlerian fascism and the founding of the United Nations.

The delegation, convinced that it is hard to measure even theoretically the disastrous consequences mankind would suffer in the hypothetical event of a nuclear war, expressed its great concern over the militarization of the cosmos and the so-called "Star Wars." The Soviets are particularly distressed because the plans for this nefarious strategy to militarize space are being concocted in Washington at the initiative of the war-mongering administration of Ronald Reagan. This enhances the threat to the security of nations, and creates an unstable situation in international relations, they noted.

The writer and poet who visited us suggested that common sense dictates just one solution: to freeze the nuclear arsenals of the great powers and suspend preparations to militarize space, so that steps can be taken to reduce nuclear weapons stockpiles. She stated: "I know what horror, fear, and terror are; many do not know what war is, and we hope they never do."

8926
CSO: 3348/111

CENTRAL BANK RELEASES STUDY ON EXPORT PROMOTION MEASURES

Lima EL COMERCIO in Spanish 13 Oct 85 p F-2

[Text] The promotion of non-traditional exports is an alternative solution that affects not only the balance of payments, production and employment, but also the allocation of government resources.

Consideration

Although the latter factor is not the primary objective of the promotion policy, the selection of incentives should take it into consideration, particularly in view of the low tax pressure that is typical of countries such as ours.

In this regard, although it is important to support non-traditional exports in order to develop the country's capacity to earn foreign exchange, its costs must be studied so that the situation can be evaluated as a whole.

The Central Reserve Bank (BCR) has conducted a cost study of the two most common instruments, the Export Tax Rebate Certificate (CERTEX) and the Non-Traditional Exports Fund (FENT).

The CERTEX is a freely negotiable document that is used to pay taxes. At present it is granted as a given percentage of the FOB value, which varies primarily as a function of the value-added.

Sectors to Benefit

It has been determined that the cost of promoting non-traditional exports by means of the CERTEX reached 418 billion soles in 1984, equivalent to $121 million. The principal beneficiaries of this program were the textile sector ($38 million) and the fishing sector ($18 million).

It should be noted that in the case of the textile sector, the cost would have risen by at least $12 million if exporters had not waived the CERTEX for sales to the United States in view of the compensatory duties established by that country.

In 1984, the CERTEX accounted for 17 percent of all non-traditional exports. From this standpoint, among the sectors with the highest export values, the metalworking sector and the chemicals and textiles sector have received the highest rebates as a percentage of their export value (22 and 16 percent, respectively).

It should be mentioned that 71 percent of non-traditional exports in 1984 benefited from the CERTEX, with an average rebate of 23 percent.

All exports from the wood, paper, and leathers and furs sectors benefited from this rebate; the same holds true for those textiles that were sent to markets other than the United States. On the other hand, only 60 percent of the exports from the fishing, iron and steel, and non-metallic minerals sectors received the CERTEX.

The Non-Traditional Exports Fund is a credit line that the Central Bank extends to finance these sales abroad at interest rates below the market rate, up to 90 percent of the value.

The FENT credit is granted in two forms: pre-shipment, to finance production, and post-shipment, to finance marketing.

It can also be given in foreign currency in both forms, and with terms that can be extended up to a year and a half; or it can be given in national currency or in mixed currency, only for pre-shipment loans with terms of up to 90 days.

The FENT results in a net outlay by the BCR, which arises from the difference between the effective interest rate it charges for the loan and the greater income it could have received from the same funds if it invested them in a more profitable portfolio.

Thus, financing of 40 percent of non-traditional exports in 1984 through the FENT cost $23 million. Of that amount, $17 million corresponds to the credit line in sols, which was triple the amount of dollar loans.

What Is the Total Cost?

Although the effective interest rate differential is the same for all sectors, the total cost is not.

The reason for this is that among those sectors, the level and composition of the disbursements vary. In this way, the highest cost was incurred by the textiles sector ($10 million), followed by the agriculture and livestock sector ($4 million) and the metalworking sector ($2 million).

As a percentage of the export value, however, the highest cost was observed in the agriculture and livestock sector (6 percent), while the textiles sector amounted to 4 percent. The average was 3 percent.

The total cost to the government of the CERTEX and FENT combined in 1984 was 498 billion soles (US $144 million), equivalent to 6 percent of the central government's tax revenues.

The CERTEX accounted for the bulk of that cost (84 percent). In the case of two major sectors, textiles and agriculture and livestock, the relative share of this mechanism in the total cost was smaller, 79 and 72 percent, respectively, even though the CERTEX coverage for the latter sector was expanded considerably.

The BCR report notes that there has been an increase in the relative importance of the FENT in export promotion, particularly in agriculture and livestock.

It has been calculated that the total cost to the government of promoting non-traditional exports represents one-third of its net foreign exchange contribution, which is certainly a significant proportion.

Principal Limiting Factor

We must bear in mind, however, that the current shortage of foreign exchange is one of the principal limiting factors in our recovery and economic growth, given the heavy burden of the foreign debt and the need to import to continue producing.

Non-traditional exports are of particular relevance in overcoming this shortage, since a major volume of idle capacity in industry could allow for significant growth.

Finally, the BCR points out that an incentives policy should seek a balance between the resulting social benefit and the cost it entails for the government, so that our resources can be allocated more effectively.

Ten Principal Markets for Peru's Non-Traditional Exports
(January-June - In Millions of $US - FOB)

(1) PAISES	1984 (3)VALOR	1984 %	1985 VALOR	1985 %	(2)TASA DE VARIACION (%)
(4)ESTADOS UNIDOS	94,903	29.7	115,358	31.2	21.6
(5)U.R.S.S.	N.D.	- -	41,537	11.2	-
ECUADOR	11,672	3.7	21,756	5.9	86.4
COLOMBIA	21,146	6.6	18,866	5.1	- 10.8
CHILE	19,550	6.1	16,672	4.5	- 14.7
(6)JAPON	13,102	4.1	15,587	4.2	19.0
(7)SUIZA	2,655	0.8	11,972	3.2	350.9
(8)ALEMANIA FEDERAL	18,967	5.9	11,717	3.2	- 38.2
(9)REINO UNIDO	9,069	2.8	10,395	2.8	14.7
ARGENTINA	6,669	2.1	8,261	2.2	23.9
(10)TOTAL ENT PRINCIPALES MERCADOS DE DESTINO (1)	197,723	61.8	272,121	73.5	37.6
(11)TOTAL ENT PERUANAS (2)	319,713	100.0	369.753	100.0	15.7
(12)PARTICIPACION (1) / (2)	61.8		73.5		

13)FUENTE: BANCO CENTRAL DE RESERVA
14)ELABORACION: FOPEX
(15)N.D. = NO DISPONIBLE

Key:

1. Countries
2. Rate of Change
3. Value
4. United States
5. USSR
6. Japan
7. Switzerland
8. Federal Republic of Germany
9. United Kingdom
10. Total Non-Traditional Exports to Principal Markets
11. Total Peruvian Non-Traditional Exports
12. Ratio of (1) to (2)
13. Source: Central Reserve Bank
14. Compiled by: FOPEX
15. N.D. = Not Available

8926
CSO: 3348/111

AGREEMENT TO PROMOTE RICE CULTIVATION IN UPPER HUALLAGA

Lima EL COMERCIO in Spanish 30 Oct 85 p A-11

[Text] The coca fields in Alto Huallaga will soon be converted into extensive and fertile fields of rice and wheat, now that the cooperation agreement between the Rice Marketing Enterprise (ECASA) and representatives of the Alto Huallaga Special Project has been signed.

The agreement, which was signed yesterday by the president of the ECASA board of directors, Jorge Luis Garcia Perez, and the executive director of the Alto Huallaga Special Project, Percy Lindo Zarate, is a mutual cooperation pact that is designed to improve and expand the rice storage and handling infrastructure. The Agency for Inter-American Development (AID) has budgeted more than 5 billion sols for this purpose.

The agreement has a term of 1 year, and will benefit Tingo Maria and Monzon in the department of Huanuco, and the districts of Tocache, Uchiza and Campanilla in the department of San Martin.

One element of the pact is a program to supply farmers located in the area covered by the Alto Huallaga Special Program with certified rice seeds for improved varieties. This will ensure them of greater yields and higher income from the product.

Other activities included in the agreement are the sale of inputs and products and the promotion of agroindustry. For this purpose, specific actions will be carried out, such as the improvement of storage facilities and the handling of grains, the establishment of a center for the sale of inputs in Tocache, and the establishment of a program for rice certification.

In addition, the Alto Huallaga Special Project has scheduled the construction of a rice warehouse in La Morada this year. Other plans for this year include the improvement of the infrastructure for corn alignment in Tocache, the improvement of the rice storage infrastructure in Tocache, and the purchase of equipment for drying corn and rice.

It also plans to acquire a rice mill, which will be installed in La Morada, an electric generator to run the rice mill, and humidity guages and scales for the warehouses.

In addition to the initial budget item of 1.372 billion sols, 3.702 billion sols has been added under Law 24264, for a total of more than 5.74 billion sols.

Battle against Drug Trafficking

The presence of drug traffickers and, more importantly, the subversive activity that began in 1983 stifled the incipient interest that the private sector had shown in agroindustrial development.

The implementation of the Northern Regional Program, whose headquarters in Chiclayo will soon be opened, marked the beginning of the reactivation of agroindustry, with particular emphasis on the Alto Huallaga area.

According to the agreement, the projects to be carried out in this region are aimed at improving the existing infrastructure of the National Enterprise for Industrial Marketing (ENCI) and ECASA in the area so that they can achieve their full potential with respect to the handling of grains (corn, rice, soybeans, etc.) produced by local farmers.

It was reported that the shortage of adequate warehouses has been an obstacle to the smooth marketing of grains, which in turn dampened the peasants' interest in growing these products and turned them instead to the cultivation of coca.

It was also reported that farmers have taken a renewed interest in rice cultivation primarily due to the resumption of technical assistance to peasants in this region.

Finally, it was reported that better crop yields are now being attained through the mechanization of land preparation, cultivation under irrigation, and the use of certified seeds and fertilizers.

8926
CSO: 3348/162

BRIEFS

MINISTRY JURISDICTION OUTLINED--The Ministry of the Presidency will begin functioning on a gradual basis today as the organic law governing this brand-new entity comes into effect, announced its chief, Nicanor Mujica Alvarez Calderon. Its top-priority project will be the Puyango-Tumbes binational project. Mujica stated that all the corporations and development institutes, and even the National Museum of Archeology and Anthropology, will come under this ministry's jurisdiction for the sole purpose of attaining effective development in this country. "These agencies will be supervised by the General Comptroller's Office of the Republic and by the ministry's own staff who specialize in such monitoring. They will operate throughout the country in unannounced visits," he added. He made these statements at the airport, where he had gone on family business. He asserted that priority will be given to the Puyango-Tumbes project, which dates back to 1971. The project has been brought up to date with the recent pact between Peru and Ecuador, signed by Foreign Ministers Allan Wagner and Edgard Teran, respectively. The new minister added that city governments will play a decisive role in supporting these programs. Although this arduous task is beginning today, said the minister, it is estimated that by the end of the year all of the administrative machinery of the corporations and institutes will be working at full capacity, under a hierarchy that did not exist until recently. [Text] [Lima EL COMERCIO in Spanish 4 Nov 85 p A-4] 8926

'BILL-CHECKS' NO LONGER TENDER--The curtain has fallen on the so-called "bill-checks," currency checks that were issued to solve the problem of the cash shortage in recent months. The shortage had been caused by the success of the program to "de-dollarize" the economy. From today on, reported the Central Reserve Bank (BCR), the "bill-checks" are no longer legal tender; in other words, they cannot be used in commercial transactions. According to sources at the BCR, a total of 1.331 trillion sols was issued in this form, and these instruments may be cashed at banks until 15 November. The "bill-checks" were authorized by Supreme Decree 390-85-EF, which empowered the Central Bank, the Bank of the Nation, and the Peruvian Credit Bank to issue them. The public was initially surprised at the new development because nothing similar had been seen in recent years. After the surprise subsided, however, the public accepted the "bill-checks" and began to use them without incident. BCR sources indicated last night that a sufficient supply of bills in denominations of 50,000 and 5,000 sols is available to carry out the transition gradually. Due to the emergency, BCR officials traveled to the

Federal Republic of Germany and to the Republic of Malta, where the bill manufacturing companies are located. There they were successful in their efforts to speed up the process. For considerations of cost and economy of scale, Peru does not have a paper money printing plant. The Central Reserve Bank stated yesterday in a communique that the deadline for exchanging the bill-checks issued by the Peruvian Credit Bank, which were withdrawn from circulation on 16 October, is Thursday 31 October. Between 4 and 15 November, bill-checks may be exchanged only at the offices of the BCR. Our newspaper reminded its readers that the "bill-checks" did have a precedent in the currency cashier's checks that appeared in Lima after World War I. [Text] [Lima EL COMERCIO in Spanish 29 Oct 85 p A-13] 8926

NEW GOVERNMENTAL APPOINTMENTS--The following appointments have been made. Office of the Chairman of the Council of Ministers: Alberto Villegas has been named provisional departmental director of industry, commerce, tourism and integration in Moquegua, to serve on the board of directors of the Moquegua Departmental Development Corporation (CORDE); Gavino Cervantes Begazo has been appointed as provisional member of the Arequipa CORDE; Sonia Herrera Piaggio has been named executive director for promotion and development of the National System of Rationalization, Level 3, of the National Institute of Public Administration; Vital Mego Nunez has been appointed provisional member of the board of directors of the Ayacucho CORDE; Graciela Fernandez Baca de Valdez is the new chief of the National Institute of Statistics; and Milton Paredes Portella has been confirmed as executive director of supplies for the National Institute of Public Administration. Economy: Milton Guerrero Rodriguez has been named president of La Papelera Peruana S.A. and of the Compania Celulosica y Papelera del Norte S.A. National Development Institute (INADE): Edmundo Ulloa Bringas is the new associate director of the Autonomous Authority of the Tinajones Special Project; Jose Felix Paz has been appointed associate director of the Autonomous Authority of the Olmos Special Project; and Alberto Joo Chang is now associate director of the Autonomous Authority of the Chira-Piura Project. [Text] [Lima EL COMERCIO in Spanish 15 Oct 85 p A-5] 8926

ACID LEACHING RAISES PRODUCTION--Arequipa, 16 Oct--The system of ferric acid leaching will be used for the first time in the country to increase annual production of copper sulfides in the Cerro Verde mines to 135,000 tons. That means 33,000 tons of refined copper. This announcement was made by engineer Jose Vicente Olcina, chairman of the board of MINEROPERU [Peruvian State Mining Enterprise]. He stated that the government will carry out the second stage of Cerro Verde this way, adding that this will be done with the resources of the enterprise itself, $15 million initially. He also indicated that the planned flotation system will be replaced by the new acid leaching system. As is known, the leaching pits are already being constructed at Cerro Verde I. This will permit integral exploitation of the sulfides in the future. Reserves are estimated at more than 1 billion tons. He also said that the leaching system is much better because it costs less. Flotation would require more than $280 million. Another aspect mentioned by Olcina was that MINEROPERU's objective is to lower production costs of 45 cents per pound of refined copper by adopting the indicated system as well as obtaining reduced electricity rates through an agreement between ELECTROPERU [Peruvian State Electric Power Enterprise], the Electrical Company of the Southwest and

Cerro Verde. In any case, a new opportunity to carry out the second stage of Cerro Verde, so often suggested and promised by all the politicians, is officially opened. [Text] [Lima EL COMERCIO in Spanish 17 Oct 85 p A-16] 7717

SHOPPERS PROTEST FOOD PRICES--Housewives and some heads of families complained yesterday about the new meat prices because, as they all said, these are beyond their economic possibilities. Consequently, there is no meat on the people's tables. Here is the result of a survey taken in the various markets in the capital. Emperatriz de Arboleda (Lince): "It cannot continue like this. What is more, it makes me angry that they say one thing but the reality is different. They said that prices were frozen for 3 months but everything is going up like before." Jose Carlos Esquen (La Victoria): "It is scary to come to the market because the prices frighten us. I don't understand economics but why doesn't the government subsidize foods or do something to keep prices from going up so much?" Maria Chavez (Comas): "This is shameful. Where are we going to get 30,000 or 40,000 soles to buy a little kilo of meat that comes with a lot of bone? I am sure that President Alan Garcia does not know what is happening here." Ada Diaz de Ortega (Cercado): "We are reaching a really critical situation. Meat prices have already risen to impossible levels. It was announced that milk will go up also. Regular loaves of bread become darker and smaller each day. They have brought oil down 500 soles and raised other things thousands of soles. What can I fry with the oil if I can't buy meat or eggs?" [Text] [Lima EL COMERCIO in Spanish 14 Oct 85 p A-12] 7717

NEW UNIVERSITY, EDUCATION LAWS--The new university and education laws will be put into effect under this regime because current legislation suffers from a series of flaws and gaps, the first secretary of the Senate, Justo Enrique Debarbieri, said yesterday. He added that Peruvian universities, both public and private, have been in a crisis in the past 30 years and that the situation has only grown worse under the military government. Debarbieri noted that current university legislation arose out of the circumstances. "It is not good or even average legislation," he said, adding that one of the gaps is that full authority to make decisions has never been granted to the National Assembly of Rectors in order to solve internal conflicts in the universities as in the case of Federico Villarreal University. He also noted that the bill submitted by the Executive Branch will give such powers to the Assembly, so that it might intervene, reorganize, recess and adopt other measures in universities in conflict. Debarbieri added that this authority emanates from the university itself and that the Executive would not have to intervene in the solution of problems through the Ministry of Education, Economy or Finance. [Text] [Lima EL COMERCIO in Spanish 10 Oct 85 p A-5] 11,464

CSO: 3348/91

NEED FOR NEGOTIATIONS WITHIN AD LEADERSHIP UNDERLINED

Caracas EL UNIVERSAL in Spanish 7 Nov 85 p 1-19

[Article by Ramon Hernandez]

[Text] The first cracks are beginning to appear. The formerly monolithic AD labor movement is showing splits that could bring somewhat serious internal upheavals. Personal ambitions in AD have a surprising ability to divide forces. No sooner does someone publicly announce his desire to seek some sort of high office, either the party leadership or the presidency of the republic, than conditioning factors and opposing forces arise.

The specific case of Secretary General Manuel Penalver is a good illustration. As long as his ambitions went no further than the post of secretary general, he had every chance to get elected, and a unanimous vote could not be ruled out. But when it was rumored that he was involved in the battle for the nomination, his solid support began to crack, first in the regional secretariats and then in the union bureau itself. Differences of opinion, albeit not necessarily irreconcilable ones, have arisen in the latter. Nonetheless, the possibility of a unanimous vote has now gone by the boards, and no one is ruling out that a "dark horse," who already has a first and last name, might appear at the eleventh hour.

The realignment of forces has made the contestants' positions clearer and their weaknesses obvious. The first is that neither of the blocs or factions is strong enough to eliminate the other and that they will have to head for the bargaining table, where an "outsider" still has a chance.

Talking, bargaining and compromising are part of politics, and so is giving ground temporarily. But the real confrontation will not go away. The battle for the supreme leadership in AD between Carlos Andres Perez and Jaime Lusinchi will continue until one of them comes out on top.

The group that centers around Lusinchi and is led by Manuel Penalver and Octavio Lepage has made some tactical shifts, especially in terms of aggressiveness, as a result of the latest polls. What they have basically been trying to do is scuttle the rumor that Manuel Penalver has the lead in the race for the nomination. They feel that the best way to counter Carlos

Andres Perez's bid for reelection is not to start talking about the 1988 nominee.

Moreover, Manuel Penalver has to regain his balancing role in the party, make a tactical retreat and cease trying to involve the labor movement in the anti-Perez faction and avoid rifts in this powerful decision-making group, at least until the National Convention. Penalver obviously does not want to take over as a weakened secretary general, and he could be turned aside if the negotiations with the other faction do not take place.

The leveling out of the Perez-Pinerua-Canache Mata-Morales Bello forces and the possibility of a dark horse could mean that Manuel Penalver will win with 60 percent of the vote, which does not represent a strong enough hold on power during a difficult period like the one expected next year because of the virtual drop in oil prices and the dwindling of disposable resources due to foreign debt payments.

In Penalver's case, negotiations would mean assuring himself an almost unanimous election and leaving room so that the battle for the supreme leadership could be decided on another occasion, even with a different balance of party power. Penalver needs to make decisions and sacrifices, which could in turn create upheavals in the faction to which he belongs. He must also learn to live with differing viewpoints when conditions are not the happiest and to play modern politics, which means not trying to get rid of opposing forces in a bid for supremacy. This is a strong language, we admit, but he can no longer wager on splits to get inconvenient opinions out of the way. Now that Romulo Betancourt is no longer around, for the first time AD has to make decisions in lean times and will need its finest leaders, its most credible men, to talk to the country convincingly and to raise hopes, which the party is going to need.

AD will have to ask itself who these leaders are in the thick of an internal election, which is a big disadvantage. Every election takes its toll; every confrontation shatters myths, as does a term in office.

The upcoming election of AD leaders is marked by an absence of ideology and, even more basically, of political polish at intermediate levels and among the rank-and-file. Violence could displace civility, and desperation could sweep away the most basic strategy. Should the most innocuous irregularity appear, there will be blows, bullets and violence from anyone who is fighting for a share of immediate power, not for a political program.

The AD leadership must think things over and begin to gauge consequences in the not too long term. It has to preserve its best men and prevent the machinery from deteriorating. It must lend substance to the ideological backdrop of struggle between the two factions. And here is where Luis Pinerua and Luis Raul Matos Azocar have a role to play, as they could become independent figures vis-a-vis the two antagonistic factions. The party's machinery cannot be used to impose someone as leader; rather, the party must put together a capable top echelon that effectively supports what the administration is doing. It is not enough to have a docile figure in the National Executive Committee; even if he has opposing views, he must be able to rally public opinion in support of administration action.

8743
CSO: 3348/180

DEAN OF PATRICIO LUMUMBA UNIVERSITY LEADS SOVIET DELEGATION

Caracas TRIBUNA POPULAR in Spanish 11-17 Oct 85 p 5

[Text] A delegation from the Soviet Committee of Solidarity with the Peoples of Latin America has visited Venezuela on an invitation from the Gonzalo Barrios Foundation. The delegation was chaired by the dean of Patricio Lumumba University, Professor Vladimir Stanis, and consisted of Latin American Studies Professor Nicolay Kalmikov (assistant director of the Academy of Sciences) and Gennadiy Ermakov, the executive secretary of the aforementioned committee.

The committee was created on 6 February 1984 and conducts its activities in close cooperation with Soviet social, union, youth, women's, artistic and intellectual organizations.

The committee's main tasks are to make common cause with the struggle of Latin American peoples; to support the people of Cuba, the first socialist country in the Western Hemisphere and the target of constant threats and provocations by American imperialism; to help strengthen friendship and cooperation between the USSR and the countries of Latin America and the Caribbean by publicizing all of the facets of life in the Soviet Union; to establish and maintain contacts and ties with political and religious organizations in our countries and with regional organizations; to make common cause with the victims of reaction and imperialism and with those who are struggling for democracy, national sovereignty, freedom and independence in the nations of Latin America.

Political Contacts

Why is the committee you head visiting Venezuela? we asked Dean Stanis.

"Accepting an invitation from the Gonzalo Barrios Foundation, the delegation came to establish contacts and cooperation with this foundation, with the Democratic Action Party and with other political and social organizations in the country. The purpose of the contacts is to further solidarity and to study the appropriate mechanisms to this end.

[Question] Have your visits to universities and political parties, etc been fruitful?

[Answer] Unquestionably. We appreciate the invitation from the prestigious foundation and the hospitality we have received everywhere from the authorities and from everyone we have dealt with. We have learned many interesting things. We have noted in particular that people are very interested in learning about Soviet life and in establishing contacts with our country.

The makeup of the Soviet Committee of Solidarity with Latin America is very broad, we remarked to Dean Stanis.

"Yes it is. Our committee is made up of people from various social strata and organizations in the USSR, even priests from the Orthodox Church. This wide-ranging membership means that we can have very broad contacts with all of Venezuela and Latin America."

Cooperation

The well-known Latin American studies expert Dr Kalmikov commented to us that there is growing interest in Venezuela regarding the USSR, so much so that while it was working on its five-volume history of Latin America, the Venezuelan Academy of History requested the collaboration of Soviet historians. There are other tangible and reciprocal signs of interest, he went on to say: the festivities in the USSR to mark the 200th anniversary of Simon Bolivar's birth, the publication of books, etc. A special monograph entitled "Miranda in Russia" is also in preparation now.

There is always interest in Venezuela about Patricio Lumumba University because many Venezuelans have studied and continue to study there.

"Our university," Dean Stanis told us, "has students from 107 countries belonging to 450 different nationalities, although there are also Soviet students. Aside from being a school and training center, it is an active scientific research facility, with the same courses for Soviets and foreigners. I would like to add," Dean Stanis said in conclusion, "that the Venezuelans who have graduated from Patricio Lumumba University command prestige within the university and are worthy representatives of the Venezuelan people overseas."

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CSO: 3348/180

ENERGY MINISTER ON POSSIBILITY OF OPEC CRISIS NEXT MARCH

Caracas EL UNIVERSAL in Spanish 3 Nov 85 p 2-1

[Article by C.R. Chavez]

[Text] After denying that there is "anything resembling a collapse of oil prices at the moment," Energy and Mines Minister Arturo Hernandez Grisanti cautioned that "if OPEC does not take appropriate steps at its next regular meeting on 7 December, it is going to face a very difficult situation as of next March," once winter is over and the factors that will work somewhat to the advantage of oil exporters late this year and early next year disappear.

Minister Hernandez Grisanti met with oil industry reporters at the clinic at which his ailing wife is being treated. Briefcase in hand, he discussed first the surprising statements by Minister Mani Sa'id al-Utayba and then various facets of OPEC, the market and prices.

Venezuela's Reaction

"OPEC's situation is widely known," the minister began by saying, "and we have explained it to the public on repeated occasions. We have said that OPEC is going through perhaps the most difficult time of its entire 25-year history. Venezuela has strived and will continue to strive to defend the organization's unity, though this will not stop us from taking steps to safeguard our interests as a nation.

"The statements by the oil minister of the United Arab Emirates, Mani Sa'id al-'Utayba, have caused major alarm in world petroleum circles and in Venezuela as well.

"Now then, at one point in his remarks, the complete text of which I have here, Utayba talked about the general situation in OPEC and on the world market, and he did so in a manner similar to the manner in which several other of us OPEC ministers have. But then elsewhere he asserted that as of last October's conference all countries are free to set their oil export prices independently.

"With regard to this," Hernandez Grisanti said, "I must point out that OPEC decisions are still in force regarding production levels and prices. As far as production shares are concerned, the decisions made at the special conference in late October 1984 are still in effect. And as for prices, the most recent decisions were made at the conference that ran from 22 to 25 July of this year. This conference kept the price of Arab light at $28 a barrel, cut the price of Arab heavy from $26.50 to $26 and the price of medium Arab from $27.40 to $27.20 a barrel.

"Now then," he continued, "we cannot ignore that the OPEC price structure has in practice not held together, as a result of the actions of several of its members. But no decision whatsoever has been made to alter the decisions that were made previously at those conferences.

"The organization makes decisions collectively, and they are announced in communiques that are discussed and approved in advance by the conference.

"I really see no reason for alarm, specifically as a result of Minister Utayba's statements. I will go further. As I speak here, there is nothing resembling a price collapse. On the contrary, over the past 2 months world prices have held firm and some have even risen. On Friday the first the price of Brent crude stood at $29.20 a barrel on the spot market. Just a few months ago, at the beginning of the year, it was priced at $28. In addition, Arab light stood at $27.85 yesterday, in other words, just 15 cents below its official price.

"We have to realize that this situation (the moderate rise in prices) is temporary, for the following basic reasons: 1) The drop in Soviet oil exports; 2) The level of inventories, which is the lowest since 1978; 3) The war in the Persian Gulf; and 4) The approaching winter.

"Given OPEC's internal situation," he went on to say, "we have to be on the alert and concerned about the situation, once winter is past. If OPEC does not make and immediately implement a decision before the end of winter, it could be faced with a very critical outlook. If it does not take appropriate steps at its upcoming regular conference this December, OPEC will find itself in the midst of its most acute crisis ever as of March 1986.

"We are convinced that the situation is dangerous, and we will thus remain in contact with the other ministers up to the conference this coming 7 December.

"During these contacts with member countries we plan to bring up options that would enable OPEC, while acknowledging realities, to maintain its influence on the market and on prices.

"As evidence of the decline in OPEC's influence on the market, people usually cite the fact that it accounts for only one-third of world (Western) output," the minister remarked, changing the subject. "But this ratio is not really the significant one."

"The important ratio is between the level of OPEC exports and the total volume of the international oil trade. In this regard, OPEC still accounts for almost 60 percent of overall volume, as it sells some 15 million barrels a day out of about 25 million that are marketed every day around the world."

The Situation in Venezuela

"In spite of the weak and complex situation on the market, I think that here in Venezuela, which is where our greatest interest lies, we are going to surpass the revised export goal of 1,356,000 barrels a day. And we will do so even though we lost a 180,000-barrel a day client because of the closure of the Aruba refinery and even though we are no longer sending Curacao 115,000 barrels a day as a result of the situation at the refinery there since this past June. The loss of these two markets means an average annual fall of 247,000 barrels a day, which we have partly offset by gaining new customers.

"We will begin sending crude oil to Curacao again as of the second half of November. And as far as prices are concerned, Venezuelans ought to be pleased to hear that even in the midst of this stormy situation the average price of our oil exports this year will be 40 or 50 cents higher than the average 1983 price ($25.31) and will range between $25.80 and $26 per barrel.

"Therefore, and without trying to be unreasonably optimistic, we have achieved good results under very trying circumstances, and in this connection we must acknowledge the professionalism and competence of our national oil industry. Note, for example, that the price of Arab light has fallen $6 between 1981 and 1985, from $34 to $28 a barrel. And the drop was $10 over the same period on the spot market.

"In contrast, a comparison of the average price of Venezuelan oil in 1981 (the peak of the boom) and now shows a drop of just $2.70 to $2.80 a barrel."

And what do you think of Mexico's decision on prices?

"We are maintaining contacts with Mexico, a country with which we have satisfactorily cooperative relations. We believe that such cooperation is beneficial to both countries. Each makes its pricing decisions with total independence, so we merely note what happens, but nothing more.

"We feel and we contend that no change in prices should be announced beforehand, because this is bad for business. Two weeks ago we raised the prices of several products that account for some 300,000 barrels a day of exports, and we are not ruling out the possibility of other adjustments, either upward or downward. What ought to be clear, though, is that we should not be making announcements on price shifts, because this suits neither the seller nor the buyer."

The minister concluded his impromptu press conference by reaffirming his view that "right now I see no collapse in oil prices or any signs of OPEC falling apart."

8743
CSO: 3348/180

NEED TO PROMOTE PRIVATE INVESTMENTS UNDERLINED

Caracas ZETA in Spanish 24 Oct-4 Nov 85 pp 34-36

[Article by Leandro Canto]

[Text] The greatest difficulty one finds in interpreting the basic indicators of the Venezuelan economy is the relative lag in official figures and statistics. The country has shown a stable trend over the past 2 years, however, which enables one to draw conclusions without even having reliable figures more recent than April 1985.

The country closed out 1984 at its worst economic moment in many years. The gross domestic product in constant prices fell considerably from the previous year, which had been considered by observers to be the worst in democratic Venezuela. In fact, 1983 registered a real decline in the GDP on the order of 5.6 percent; it was assumed that the economy would "bottom out" in 1983, but 1984 yielded a new decline of 1.1 percent. This brought the GDP to 71.063 billion bolivars at 1968 prices, down from 76.144 billion bolivars in 1982 (also at 1968 prices).

The downturn in 1983, according to the statistics, was explained by the simultaneous retraction of petroleum and non-petroleum activities. The former decline amounted to 4.7 percent, while the latter totaled 3.6 percent. Commerce alone grew, albeit slowly, in 1983; then it fell in 1984 as a result of the real slump in aggregate demand in the country. Only the petroleum sector, which grew slightly in 1984, and the sharp recovery seen in the manufacturing sector (5.3 percent) prevented last year's indicators from sinking even lower. In addition to commerce, although with a lower specific weight, construction fell off considerably both in 1983 (13.3 percent) and 1984 (a sudden 36.4 percent dive).

Tough Year

Thus, Venezuela began 1985 facing a panorama of chronic depression, especially in the areas that generate the most employment: construction and commerce. Manufactured goods, in contrast, can grow without having such a crucial impact on social indicators, thanks to improvements in productivity that businessmen can make at the factory level. The long-awaited recovery of agriculture in

1984 did not materialize because of the devaluation of the bolivar; hence, this sector's annual growth totaled less than 1 percent at constant prices.

According to official data, which are subject to some methodological criticism, the jobless rate in the country rose from 7.1 percent in 1982 to 13.4 percent in 1984, and is edging upward toward 15 percent in 1985. This year, however, the situation can be regarded as more stationary. Compared to nearly 380,000 unemployed workers in 1982, Venezuela began 1985 with more than 760,000 workers out of a job, as a consequence of the recession in the aforementioned sectors of the economy. And the current levels of activity, estimated on the basis of very approximate indicators such as the progression of monetary liquidity, reveal a relative stagnation in the economy. One can thus assume that the unemployment and activity figures will not vary significantly in 1985.

In any case, it is still unlikely that the number of unemployed will reach 1 million, not only because the downslide in the demand for labor seems to have ended, but also because of an adjustment process in which workers gravitate toward new modes of underemployment and employment that are not taken into account in the statistics. The stabilization of this variable, which is fundamental for determining economic policies that have no significant impact on the least protected social classes, and of inflation, which official figures claim has been brought under control at around 12 percent in both 1984 and 1985, at least provides some indication that this year will not entail new plunges in the key indicators, even if it does not turn out to be a banner year.

But what is perhaps more important is the fact that even though they are touted as permanent, the government's policies have not had the expected impact on the national accounts. Non-traditional exports, which totaled $1.092 billion in 1983, dropped slightly in 1984 to $1.055 billion. Thus, its impact on the productive apparatus, for growth purposes, was negligible. Traditional exports are expected to yield a pleasant surprise in 1985, finally surpassing the $1 billion mark at which they had been stuck for several years. This indicates that net investment in this economic sector has not been high enough to give it a good boost.

The out and out freeze in the construction industry is another sign pointing to the conclusion that 1985 will hardly be a record year for the recovery. The nosedive in construction activity that began in 1984 has carried over into 1985, and has caused new pressures not only on unemployment, but also on the final components of the GDP. As a result, the specter of negative economic growth, or at best zero growth, is rearing its ugly head in the Central Bank's statistics for the close of 1985, a fact which will no doubt give pause to Dr Lusinchi's government.

Confidence and Reactivation

No one is hiding the fact that part of the problem lies in a relative lack of confidence by the private sector in the government's policies. The sudden upswing in capital formation in 1984 boded well for a resurgence of private investment in 1985. The Central Bank's figures are very revealing with regard to domestic aggregate demand, which recovered slightly in 1984 after the 13.7 percent plunge in 1983. The growth of this indicator in 1985 should be reflected in an improvement in capital formation, as was seen in 1984, when national net savings even rose as high as 60 billion bolivars.

The devaluation of the bolivar did not effectively curb the purchase of foreign exchange and the flight of capital, which at the very least reflects a mood in local investment that could indicate that the reactivation will not be possible until private investment takes over from the state as the mainstay of productive activity. The need to create real stimuli for investment has been expressed at various levels of public opinion, and even within the government.

The most serious problem is that the lack of clear rules in the economy, added to the difficulties created by red tape and the discretionary powers of civil servants, perhaps do not dampen investment when the economy is hot, as in the 1974-81 period, since the vigorous activity more than offsets the risks that are run in these interventionist systems. But in an economic depression such as the one the country is undergoing at present, private investors need to make up for low profits with security. That is why now there is a clearer awareness of the need to at least begin to draft adequate economic legislation. This explains the intensive campaign by the private sector to restore constitutional economic guarantees in the short term, as these guarantees are regarded as the cornerstone of the sector's demands.

The problem Venezuela faces at this time is not simply economic, therefore. The indicators clearly reveal that in practice, the 1983-84 period marked the deepest point of the crisis that became apparent in 1982. It is possible to respond with a new expansion, given the high domestic savings, political stability and an aggregate demand which, willy nilly, is sufficient to absorb the production of many sectors, except for construction (see article on that subject in this section).

Consequently, the Lusinchi administration's greatest problem appears to lie in its ability over the next 2 years to give a really noticeable boost to private investment, both national and foreign. With moderate inflation and relatively stable unemployment levels in the country, perhaps what is really needed is for the private sector to realize that doors are being opened to it, in spite of the efforts of the labor sector.

8926
CSO: 3348/226

LABOR MINISTER DISCUSSES UNEMPLOYMENT, OTHER ISSUES

Caracas EL NACIONAL in Spanish 10 Nov 85 p D-3

[Interview with Labor Minister Simon Antoni Pavan, by Longobardo Lossada Roa in San Cristobal on 9 November 1985]

[Text] "Employment is the government's greatest concern," stated Dr Simon Antoni Pavan, minister of labor, here today.

The head of the Labor Ministry gave an interview to this reporter in this city moments before leaving for the Uribante-Caparo hydroelectric complex and parts of northern Tachira, to inspect the organization of labor fronts. When asked about the labor situation, he acknowledged that there are 800,000 jobless workers in the country. He noted, however:

"Employment is the national government's greatest concern. We inherited an economy in 1984 that did not produce the number of jobs the labor market required, and it is well known that this figure now totals some 200,000 per year.

"There was one aggravating factor," he said. "Until recently, the state had been financing unemployment, because every year more than 50,000 or 60,000 people would join the public payrolls. This situation came to an end, because the bureaucracy did not grow at all in 1984 or in 1985. All the employment that has been created is real, the product of the economic process."

[Question] How high is unemployment?

[Answer] It has stabilized at a figure that is still very dangerous, 14 percent. Construction is still the most depressed sector within this process. That is why we are trying to reactivate it. President Jaime Lusinchi himself, when he launched the work on the freeway to the east, stated that it marked the resumption of the economic reactivation.

Construction Sector Optimistic

[Question] How do you view the severe problem of construction, which generates more jobs than any other sector?

[Answer] I have chaired commissions with this sector at the national level. Hopeful signs have been seen in these commissions. We have not yet fully implemented the program to coordinate the states, some 8 billion bolivars, as well as the 6.5 billion bolivars of the special employment of 45 billion bolivars [as published]. This is a 3-year employment plan that will spend an average of 15 billion bolivars a year.

[Question] These numbers are promising, but will they reactivate the construction industry?

[Answer] We believe that as the process begins, this recovery will be moderated increasingly. We have every reason to believe that by the early months of 1986, the reactivation in this sector will be felt. This is because the government's measures are already yielding great results in a clear, evident expansion in sectors such as clothing, textiles, aluminum, paper, dyes and agriculture.

Foreign Investment Will Come

[Question] Is there speculation that foreign investors have no confidence in the country because of its economic problems?

[Answer] No. Once the problem of our foreign debt is straightened out, we will limit the extent of foreign investment. There are foreign businessmen who want to invest in the country. All we need to do is establish the rules of the game.

At this time, among the many tripartite commissions named by the president of the republic, there is one very special one that is looking into foreign investment. That investment will help generate employment in sectors where national capital has not been very efficient.

[Question] Do you believe that the Venezuelan Federation of Associations and Chambers of Commerce and Industry (FEDECAMARAS) is fulfilling its function on the tripartite commission?

[Answer] Both FEDECAMARAS and the government, each with its team, are studying the demands of the Confederation of Venezuelan Workers (CTV). The government is extremely receptive to the CTV's proposals. We are studying the costs of these demands in the Office of Coordination and Planning (CORDIPLAN). We will respond to the CTV in the next few days.

[Question] Doesn't FEDECAMARAS want to help the government and the CTV?

[Answer] FEDECAMARAS is studying its proposals, which have been presented to the tripartite commission. I sincerely believe that the social pact is in full force. Otherwise, this constant dialogue among the government, FEDECAMARAS and the CTV would not exist. I believe that the business sector is not impeding the work of the tripartite commission.

[Question] Are you happy with the budget allocations?

[Answer] We are happy. We know that the ministries are subject to restrictions on spending due to the income squeeze in which we find ourselves at present. The Labor Ministry is no exception. I would like to be frank, however; we have been given special treatment, very unique treatment. We all know that this ministry is one of the poorest.

New Programs in 1986

[Question] What about programs for 1986?

[Answer] We are confident that we will be able to expand our services in the follow-up of several government decrees. In addition, we are moving forward on the national employment service, which has a relative cost. This service is the key instrument in the expansion of the risk coverage provided to workers. It constitutes insurance against forced lay-offs, which is the subject of the commission that I am chairing. Other members of the commission are the representatives of Finance, Development, CORDIPLAN, Sccial Security, the CTV, and FEDECAMARAS.

We sent a committee to Geneva to receive advice from the International Labor Organization (ILO) on this program. The recommendations and conclusions will be submitted to the national government. Thus, in the ministry we are now expanding our actions in all areas, including social security and welfare. We cannot limit our work to that of the Labor Inspector; we must cover the entire scope of the country's labor policy.

[Question] How are relations between the Labor Ministry and the CTV?

[Answer] Very fine. The Labor Ministry has never had such great relations with the workers as today. The CTV backs our programs and whatever projects we decide to implement. I can state that the CTV has been supportive of the execution of our programs. We have received great support.

[Question] When you mention an unemployment rate of 14 percent, what is the overall total in numbers?

[Answer] We know precisely that the jobless rate among the country's workforce is 14 percent. Of a total labor force of nearly 6 million people, 14 percent means 800,000. One very unusual aspect of this unemployment is that there is hardly any joblessness among foreign workers. This scourge seems to plague native workers primarily.

Optimistic but Not Utopian

[Question] Are you optimistic about employment and the economic recovery?

[Answer] Yes, I am optimistic. We have everything we need to make a great fatherland and a great nation. I see the future with hope. But though I am optimistic, I am no utopian. We must not forget that we must generate more than 200,000 jobs a year just to maintain the 14 percent unemployment rate. We must start from that basis.

If we were to create, for example--and let us assume and hope that such is the case--300,000 jobs in 1986, a record for this country, then we could shave 2 points off the jobless rate. In other words, it would drop from 14 to 12 percent. Mind you, this process cannot be carried out overnight. We have no magic wands, no mandrake or magicians here.

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CSO: 3348/226

MATOS AZOCAR ANALYZES CURRENT ECONOMIC SITUATION

Caracas EL NACIONAL in Spanish 15 Nov 85 p D-21

[Text] Barcelona, Venezuela, 14 November--"Financially and technologically, Venezuela is a highly vulnerable country," claimed Luis Raul Matos Azocar, former minister of the Office of Coordination and Planning (CORDIPLAN) and deputy for Democratic Action. He made these remarks in a speech given to oil workers at San Tome, on the subject of the country's current situation and its future prospects. His speech marked the end of the Week of the Economist in the south of the state of Anzoategui.

The renowned Venezuelan economist, politician and analyst was invited by the southern chapter of the Venezuelan Society of Economists. The president of that organization, Eligio Quintero, and his colleagues Heberto Fernandez and Gustavo Sole Brizuela, presided over the meeting. They were accompanied on the dais by Valenzio Cataldo, district assistant manager of Meneven, and Luis Guillermo Matheus, finance manager.

In 2 hours and 23 minutes, speaking before an audience of 160 professionals who are working in the region, Dr Matos Azocar presented a detailed analysis of the subject of his speech, "Economic Situation and Development Prospects of the Venezuelan Economy."

With regard to the shortages the country is now suffering, he stated that "these are relative shortages, because the resources are available to overcome them."

"The problem that lies at the heart of this plight is that the battle to determine who will get the biggest piece of the pie will grow more heated. Consequently," he pointed out, "the situation becomes a political problem."

He asked the rhetorical question: "What are the dominant forces in Venezuelan society, and to whom do they want to distribute the country's wealth?"

He went on immediately to cite the statistical results of Project Venezuela, which reveal Venezuela's true situation in terms of economic distribution:

Only 20 percent of Venezuelans have enough income to live on. Eighty percent face extremely severe problems in terms of the buying power they need to survive, and 45 percent do not even have enough income with which to feed themselves adequately.

That same study, he added, projects that Venezuela will have 28 million inhabitants by the year 2000, of whom 6 million children will suffer from nutritional problems. This means that they will be hampered in their ability to think and act.

Dr Matos Azocar blames this problem on the politicians of the last few administrations, whose deficient ideology and concepts have been manifested in their failure to bring about a redistribution of income and political power so that the weakest sectors of society could play a role in decision-making and gain greater access to the opportunities that existed during the brilliant era we have seen in our society over the past 15 years.

In another aspect of the social crisis, he cited the results of the Project Venezuela study that revealed that of every 100 children of workers or the underprivileged groups in society, only one will be able to finish university studies.

He stated that of all the investment that is being channeled into education in this country, which he described as an inverted pyramid, 60 percent is aimed at higher education and 30 percent at primary or basic education. This investment does not open up opportunities to the children of workers and the underprivileged classes to rise above their circumstances permanently, he noted. "We," he contended, "the 20 percent who comprise the children of the privileged, the rich and the upper middle class in general, we are the ones who are benefiting from this kind of investment."

A more subtle factor in the crisis, he continued, is revealed in this study. The 45 percent of Venezuelans who have no income do not know how to do anything but the most rudimentary of skills. The profile of those who work in industry indicates that 3 percent have a college education, while the lower 65 percent have less than a grade school education. In other words, neither the government nor the private sector has made any effort to provide an efficient education to the workers and the people who operate in the system of production.

He emphasized that the crisis lies in the combination of shortages and the demographic growth rate that Venezuela is experiencing.

Along other lines, he noted that the state provides incentives for production of all sorts, without setting priorities. Sixty percent of the food that is consumed in this country is imported. Of the present population of 15 million, 8 million have inadequate diets in terms of both protein and calories.

With regard to Venezuela's vulnerability, he indicated that our country could not survive a 24-hour closure of imported food supply centers, or a 1-month cut-off of the supply of technology, especially if the U.S. Government pursues an economic policy that would cause interest rates to fluctuate widely on the international market.

Dr Luis Raul Matos Azocar's speech ended with a question-and-answer session in which he satisfied the expectations of his also highly-qualified audience.

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CSO: 3348/226

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